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CASE STUDY: SRI LANKA (CEYLON)

by

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P R E F A C E

The United Nations Research Institute for Social Development, the United Nations Social Development Division and the United Nations Economic Commission for Latin America are jointly conducting a study on "the unified approach to development analysis and planning", in accordance with Economic and Social Council Resolution 1494 and General Assembly Resolution 2681(XXV). As part of the research for this project, a series of country case studies was commissioned, with the financial support of the Canadian International Development Research Centre. The present study of Sri Lanka (Ceylon) has been undertaken by the newly established Marga Institute in that country. It provides an historical analysis of the problems and strategies of development in Ceylon and a critical review of planning techniques and procedures in the context of unified development.

Donald V. McGranahan
Director

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Section 1 - Study of National Development Policy
and Planning Experience

1. The Economic, Social and Political setting
after Independence

The factors which shaped national policies and produced the unique set of development problems confronting Ceylon today could be placed in perspective when seen against the economic, social and political setting in Ceylon when she gained independence in 1948.

(a) Economic Setting

Ceylon began her development as an independent nation with a sound balance of payments, a government budget which had a comfortable current account surplus and a standard of living which was among the highest in the South and South East Asian countries.

Her Gross National Income in 1948 at current prices was estimated at approximately Rs.2800 M. providing a per capita income of Rs.400.00. Ceylon's recovery after the war years had been steady and during the period 1947 - 1952 she experienced an unusual spurt of growth favoured by the buoyant market for her exports during the Korean War. Her Gross National Income rose from Rs.2800 M. in 1948 to Rs.4527 M. in 1951 at current prices and Rs.929 M. to Rs.1238 M. at constant 1938 prices for the same period.

National Income 1948 - 1951 (Rs.Million)

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>
National Income at current prices	2799	3013	3796	4527
National Income at 1938 prices	929	978	1115	1269
Estimated mid year population	7109	7321	7554	7742

Source : Six Year Programme of Investment -
Planning Secretariat 1955 p.4

Over 40 per cent of the Gross Domestic Product in 1948 came from agriculture and the share of tea, rubber and coconut in the agricultural output was over 60 per cent. The large scale plantation sector producing tea, rubber and coconut constituted the modern segment of the economy. Ceylon's export income was derived almost entirely from the output of this sector and its surpluses supported the urban commercial activities, the administration and social services and whatever local industry as there was. What prevailed outside the modern sector was a traditional agrarian economy at a low level of technology, where peasant farming in small holdings was the predominant feature. In the sharp dichotomy between a modern large scale plantation sector producing for export and a traditional peasant economy at a near-subsistence level Ceylon provided the textbook example of a dual economy.

Ceylon's balance of payments at the time was in a relatively strong and stable position. She had enjoyed a steady trade surplus over a prolonged period, with deficits in very exceptional years such as in 1932 in the depression and again in 1947 when there was considerable re-stocking after the war. Her external assets stood at nearly 1 billion rupees in 1948 which was equal to the value of one year's imports. Her export income however was derived almost entirely from the output of her plantation sector and relied on three primary commodities tea, rubber and coconut, with tea contributing nearly 60 per cent of her export earnings. It was only in the mid fifties and the sixties that the inherent weakness in her export structure became increasingly evident as the terms of trade began to move consistently against her. The openness of Ceylon's economy and the high degree of her vulnerability in relation to the uncertainties of international trade comes out strikingly when the extent of her dependence on her external trade is quantified. In 1950 the value of her external trade amounted to Rs.2961 million compared to a Gross National Product estimated at Rs.4170 million, i.e. approximately 70 per cent.

National income data for the years immediately preceding and following independence are not reliable enough to derive accurate estimates of the domestic resources and capital formation during this period. It is estimated that Gross Domestic Capital formation ranged from about 10 to 11 per cent of G.N.P. during the period 1946 - 1950 with the government share slightly higher than that of the private sector. Vide Table in Statistical Appendix. In the management of the Government budget itself, current expenditures were maintained below revenues and a steady current account surplus contributed to the financing of Government's Capital programme. The proportions of private and public sector investment during this period provide some clue to the scale of enterprise and the entrepreneurial drive that was within the capacity sector. The major entrepreneurial task of creating the rich plantation sector which was undertaken during the hundred years prior to independence was almost entirely completed before Ceylon gained independence. This effort with the exception of coconut was largely foreign. The most suitable agricultural land in the wet zone had already been exploited and a major field for private sector effort comparable to that which created the plantation sector had yet to be identified.

The picture that emerges from this account is of an economy which for the time being possessed the elements which were amenable to sound economic management. A relatively strong balance of payments and a government budget with a consistent current account surplus promised both the external and domestic resources for the steady growth of the economy. But beneath this economic well being lay the organic weaknesses which were to create the major disequilibria of the fifties and sixties. As will be seen in the later sections they lay in the dualistic character of the economy on the one hand and its openness and overwhelming dependence on three primary commodities on the other. These problems were compounded by demographic social and political factors that created the development dilemma unique to the Ceylonese situation.

(b) The Social Setting

By the time Ceylon became independent new social and demographic factors had entered the scene. From 1946 to 1947 Ceylon had experienced a dramatic decline in her crude death rate. It had declined from 20.3 per thousand to 14.3. The rate of natural increase of population rose from 1.4 in 1945 and 1.8 in 1946 to 2.5 in 1947 and 2.7 in 1948. With net migration the growth of population reached 3.0 per cent, 3.1 per cent, and 3.2 per cent in the years 1948 - 1951. These rates of increase were to result in a rapid upsurge of population and Ceylon had to deal with the prospect of the doubling of population within the 25 years following independence. This has to be viewed against the rates of growth that prevailed in the past when it had taken nearly 50 years for the population to double itself. The new demographic situation after independence and its explosive social and economic consequences were to result in a basic re-ordering of priorities.

Within this demographic context, the government had already committed itself to a massive social welfare programme. The element in the programme which excited the politicians and had the greatest mass appeal was that which undertook to provide education at State expense from the primary to the tertiary levels. Free education was seen as a means of providing greater equality of opportunity and of upgrading the whole of society. When the Bill for Free Education was introduced in the State Council in 1943 "the architect of free education" C.W.W.Kannangara replied to the criticisms made by the Financial Secretary in these terms: "The Board was led by the advice of the financial wiseacre who advised that education was not a long term investment, that it did not produce anything, that loan funds should be given only for projects which give a return in money - quite irrespective of the consideration that the best investment a country could make is for education of the people". Unquestionably the spread of

education and the rapidly increasing rate of participation in the educational system was to have far reaching social consequences. The large masses of youth coming out of the educational system would be entering the labour market with new job aspirations and an altogether new level of expectations.

The agitation around free education also focussed attention on another facet of the social situation which was soon to become a major social and political issue - the monopoly of power and privilege by a small English educated minority. English education was a mandatory qualification for entry to any of the elites in Ceylonese society. The dual economy had produced a dual society which was separated by language, attire, ways of living and outlook. Interwoven into all the division of caste and family of the traditional society was the division into the "gentleman class" which consisted almost entirely of the Anglicised urban minority and the "common" folk without an English education. Rooted in this structure were many of the problems of leadership and development that beset Ceylon in the fifties and sixties. On the one hand there was the problem related to the capacity of the modernising elite, which was the English educated minority, to identify itself with and to find acceptance in the larger community. On the other there was the corresponding problem relating to the participation of the larger community in the process of development. In the introduction of free education the contradictions were intensified. The medium of instruction in all schools was now going to be the mother-tongue, Sinhala for Sinhalese children and Tamil for Tamil children. C. W. W. Kannangara idealistically foresaw a "classless" society created through free education. "If the mother tongue is the medium of instruction in all schools then it is possible to have education in the highest degree in all village schools. This distribution between the upper classes and lower classes will undoubtedly disappear." However free education in the mother tongue and the short term effects of sharpening the cleavage between the older English educated elite and the new Swabasha educated generation. The communication between the two and their integration into a new modernising elite poses a major development problem.

Free education was one of the new welfare elements that entered the Government budget in the mid forties. The food subsidy and free health services were the other important elements. Vide Table . With the rapidly growing population these were to absorb an increasing volume of government resources and contribute in substantial measure to the problems of internal financing which converted the budget surpluses of the past to heavy deficits. However free health, free education and a low cost of

living were the main elements in a redistributive policy package aimed at giving relief to the low income groups and providing the income support which would mitigate the harshness of poverty in the traditional sector and raise its standards of living. In his Budget Speech in 1948, the Minister of Finance J. R. Jayawardene, (now the Leader of the Opposition) remarked, "We are spending both from current revenue as well as from loan funds a sum of Rs.270.6 million, or about 40 per cent of our total expenditure, on social services. Free Ceylon may justify and proudly call itself a social service state." The later sections will analyse how the social welfare commitment in a democratic system such as in Ceylon set inescapable constraints to the strategies of political parties and their readiness as well as their capacity to concentrate on economic growth. The inexorable expansion of the social services to provide for a rapidly rising population was to present a continuing dilemma for political leaders and policy makers. The competing claims of welfare oriented policies and development goals were to be a recurrent theme in the development story during the next two decades.

(c) The Political Setting

Ceylon had already enjoyed a substantial measure of self-government as a dominion in the British Empire during the seventeen years preceding independence. The transfer of power which had taken place in stages had been accomplished with an unusual degree of continuity and without any of the intensity of political struggle and mass action which characterised the movements for independence in many other colonial countries. The Economic Mission organised by the I.B.R.D. in 1952 to report on Ceylon's economic development remarked that "The group which formed the first Cabinet of the new regime under the late D.S. Senanayake had been associated since 1931 as the effective leaders of the government. There is therefore a record of stability unrivalled in Southern Asia. The peaceful changeover meant also that the new regime inherited unimpaired a soundly based competent and honest administrative machine."

There are however negative aspects in this peaceful transition which calls for a parenthetical comment. Political struggles which throw large masses into action help in the formation of a unified national will. When the transfer of power finally takes place, the national leadership which takes up the reins of government is usually closely identified with the people, and the disciplines of development they choose to impose can command ready popular acceptance. Ceylon's political evolution did not provide the conditions for the emergence of such a charismatic leadership. After independence she moved directly into the equable political climate of a party democracy in which rival parties which were reasonably well ordered to work within the established

system, contended for the favour of the electorate. It was an electorate with a tradition of universal adult franchise since 1931. In its social welfare policies government had already cast itself in the role of the benefactor and oriented the expectations of the electorate to income transfer and redistribution. With the increasing participation of the masses in the parliamentary system (per cent of registered voters cast their votes in the 1970 elections) the Members of Parliament became the new patrons and acted under the hangover of the traditional system of power and patronage, dispensing favours and obtaining benefits and amenities for their constituents. In this context the pursuit of development policies and the definition of development goals came sharply into conflict with the short term political objectives of the contending parties to win or retain power by offering the most popular policy package.

At the time of independence, the political parties and their relative strength still reflected a national consciousness that had taken shape in the pre-independence milieu. The ruling party, the United National Party, offered the country a leadership drawn from the propertied classes who comprised the local plantation, commercial and mining interests and the conservative middle classes who manned the administration and services. Their economic power and their established links with the rural sector through status and property enabled them initially to retain their hold on the rural voter. The peaceful transfer of power had also preserved a close and cordial relationship between the U.N.P. and the imperial rulers and gave a distinctly pro-western bias and an anti-Soviet stance to its foreign policies. With a significant section of the population the U.N.P. acquired the image of a party carrying forward the old colonial society and perpetuating a western style of living for a small privileged Anglicised minority. The opposition to the U.N.P. at that time came principally from the Marxist parties of which the Lanka Sama Samaja party was the most powerful. The Left Parties drew its leadership from the same western-educated elite; it sought support from the urban working class and while it participated in Parliament declared its lack of faith in parliamentary solutions. It stood for a classical Marxist type revolutionary transformation of society through the dictatorship of the proletariat. Although individual leaders successfully sought election in a few predominantly rural electorates its links with the rural sector were tenuous. The political confrontation between the U.N.P. and the left centred round issues such as democratic reforms versus revolutionary change, religion and national cultures versus materialism and foreign ideologies, law and order versus violence. The support of the Tamil community was

divided between the Tamil Congress and the Federal Party with the Congress emerging as the major party in the period immediately following independence. The Tamil Congress was in many ways the Tamil counterpart of the U.N.P. while the Federal Party was the first Parliamentary political party organised on distinctly communal lines seeking a federal constitution with a large measure of autonomy for the Tamil community. The political drama between the U.N.P. and the Left, the high sounding confrontation between democracy and revolution, between religion and materialism, order and chaos, ignored the tensions that were developing beneath the surface, the explosive issues which were rooted in the indigenous soil and which directly involved the people.

The creation of the Federal Party foreshadowed the developments which were to dominate the political scene in the latter half of the fifties. This was the problem of the ethnic and religious minorities. The ethnic and religious composition of the population in 1946 the year of the last population census held prior to independence was as follows:-

1946

Race		Religion	
All Races	6,657,339	All Religions	6,657,339
Sinhala	4,620,507	Buddhist	4,294,932
Tamil Ceylon	733,731	Christian	603,235
Tamil Indian	780,589	Hindu	1,320,352
Burgers	41,926	Muslim	436,556
Moors	431,691*	Others	2,264
Others	48,895		

* Includes Malays

The Ceylon Citizenship Act in 1948 denied citizenship rights and consequently voting rights to the large majority of the immigrant Indian Tamil community. In the major Sinhala community itself the Sinhala Buddhist majority was aggrieved that through a long combination of historical circumstances, the Anglicised Christian Sinhalese and Tamil minorities enjoyed power and privilege out of proportion to their numbers and were beginning to agitate that independence was unreal unless power was effectively held and exercised by the majority. The pattern of co-existence among the different ethnic groups could not be maintained for long after independence. A new set of relationships and a new balance of power had to emerge, and language, race and religion were to play

a major part in that process. None of the political parties after independence was able to give voice to this pent up demand of the Sinhala Buddhist majority. That majority was to find its leadership in a new party formed by a senior politician S.W.R.D. Bandaranaike who was a founder member of the U.N.P. and at one time virtually the heir to the U.N.P. leadership. He left the U.N.P. after radical disagreement with its policies and formed the Sri Lanka Freedom Party in 1951. This party articulated new priorities for Ceylonese society and during the second half of the fifties these overshadowed the vital development issues and the economic problems which were gathering momentum.

2. The development problems and their diagnoses

At the time of independence Ceylon had no compelling social and economic problems which demanded strategic changes in past policies. The government therefore defined its objectives in general terms as those of sustaining a steady rate of economic growth and raising the average standard of living. The "Post War Development Proposals" of 1946 contained an investment programme of Rs.1,800 million with the major portion of the outlay on communications, ports, agriculture and education. The programme planned "to raise the standard of living of the people by designed action, to maintain full employment and to provide the people with the opportunities of a fuller life." The Colombo Plan proposals which followed were more ambitious in regard to the level of investment but made no major alteration in priorities. The I.B.R.D. Mission in 1952 modified the Colombo Plan proposals and made recommendations for a public sector programme of investment which placed the major emphasis on agricultural development for peasant farming, the improvement of the plantation sector and the development of the infrastructure. In all these proposals the accent was on an accelerated rate of growth for the economy as a whole and a higher level of investment to realise this objective. While they recognised the long term problems of growth consequent to the rapid increase of population, the structural weaknesses of the economy and strategies to deal with them received little attention.

All political groups broadly recognised the weaknesses of what they were given to describe as the "colonial economy"- the dependence on three export crops and the dualistic character of the economy. The specific remedies that were recommended varied widely. The United National Party aimed at the diversification of the economy mainly through its programme for the development of peasant agriculture. It had a modest

programme of industrialisation which was to be undertaken in the public sector but this programme was to run into difficulties right from the start. Statemanagement of the industries and the lack of capability for business enterprise within the government were to create almost insuperable problems of implementation and operation. The I.B.R.D. Mission in 1952 commended the agricultural policies and the expansion of domestic agriculture but questioned the wisdom of launching into large-scale industrial ventures and recommended a programme which initially promoted the growth of small-scale industries. Industrialisation the Mission felt was necessary but must be preceded by better use of resources in the agricultural sector. However the development of a new agricultural sector through reclamation of jungle, restoration of an ancient irrigation system and new settlements had little economic impact. The economic objectives in this programme were not given adequate emphasis. The quality of agriculture under the settlements was not very different from the traditional peasant farming with its low level of productivity. The heavy investment therefore brought very low returns. The objectives of the entire programme were heavily biased towards social welfare - to give relief to the landless poor, and provide a livelihood to large families at the lowest rung of the income ladder. The objectives of economic growth, diversification of the economy and the qualitative change of peasant agriculture were overshadowed in the process. Peasant agriculture for the U.N.P. however had another aspect. It was a programme which was directed at the rural masses who had the greatest weightage in the electorate. Small holding agriculture was also a valuable antidote to communism. It helped to create a propertied class whose interests would be very different from the propertyless urban proletariat which was the base of the Marxist parties.

The opposition parties with Marxist ideology wanted a more basic change in the structure of the colonial economy. For them the means for achieving this was rapid industrialisation. In 1953 Pieter Keuneman one of the leading Communists expressed this view and charged the U.N.P. government "with perpetuating Ceylon's colonial economy... There is no indication of any real industrial development which... is the main line of development that we should follow." This bias towards large-scale and rapid industrialisation also stemmed from the ideological position of the parties which saw the urban proletariat and the expansion of the sector which went with it as the main levers of deveopment. At this time the Left parties went further in heir political analysis of the country's economic ills. They saw the structure of ownership in the plantation economy and its links with the capitalist economy of foreign countries as

Part of the capitalist imperialist network which had to be overthrown if Ceylon was to become truly independent. During this period the Left therefore offered a radical and total socialist programme which included nationalisation of estates. But apart from the generalisations regarding industrial development and the overthrow of the capitalist-imperialist system, no well defined strategy based on a realistic assessment of Ceylon's potential and the limitations of her internal market was worked out in concrete terms by the Left as an alternative to the U.N.P. Programme.

All political parties gave high priority to programmes and policies which protected the poor against the increases in the cost of living and which provided income support in some measure to the poorest strata. The U.N.P. Finance Minister presenting his budget in 1947/48 said "We do not intend to stop or to starve any of the progressive social and economic schemes of Development, such as free education, free milk feeding and free meals for children, subsidies on essential goods..... While holding to these principles we shall further attempt to close from both ends the gap which separates the standard of living of the great mass of our fellow citizens from that of a small privileged minority." The attack on poverty came mainly through redistributive measures effected through taxation of the sector creating the surpluses and the transfer of part of this surplus by means of subsidies and free services to the sector which was near subsistence level. In this context it is pertinent to note that all the main political parties professed various versions of "socialism". The U.N.P. talked of "practical", "democratic" and "constitutional" socialism as opposed to the revolutionary approach of the marxists. The large social service component provided through free education, medical services, subsidised food and poor relief was the 'poor man's share' of the budget. The redistributive element became a measure of the "progressive" character of the government; it appealed to Buddhist sentiment, to socialist objectives, to the modern concepts of the welfare State. To stabilise the cost of living and maintain it at a low level was the corollary of this social welfare approach. The cost of living became a major pre-occupation of succeeding governments and the success with which it was contained often determined their fate.

The conflict of objectives in this package of social welfare and development was already recognised by the ruling party, and references to it occur in the budget speeches of the Finance Minister in 1948. "In considering the place of the State in the provision of adequate social services, it should be remembered that social services are a means not of creating wealth but of distributing it The question then arises as to what extent the wealth that is produced can be distributed without causing prejudicial

effects on the national economy In Ceylon if the entire national income is distributed equitably among its population it would make beggars of us all. The result that flows from this knowledge is that more and more of that income should be devoted to expenditure... designed to increase the nation's wealth." In 1952 the economy was to face its first crises after independence which was to bring the conflict between the social objectives and the economic needs into sharper focus.

Meanwhile new political forces were emerging which saw the short term problems of Ceylon society not in her economic problems but in the cultural and ethnic imbalances from which it suffered. The small English educated privileged minority, English as the language of administration, the place of the Sinhala Buddhist majority, the rehabilitation of Sinhala Buddhist culture as the dominant shaping force became the issues which pushed themselves into the forefront. Correcting these imbalances was seen as the pre-condition of social and economic change.

3. Priorities, Objectives and Policies.

(a) Trends in the Fifties

It was seen that the main effort at the diversification of the economy under the U.N.P. was in the domestic agricultural sector. It sought to correct the economy's overwhelming dependence on the three primary commodities through import substitution on food. The strengthening and diversification of the export sector itself did not present itself as a feasible strategy at the time. The weakness inherent in this strategy was in its reliance on a sector which was technologically at a low level and which was therefore incapable of producing the structural changes that were needed. The efforts at industrialisation undertaken by the U.N.P. were more limited in character. The projects undertaken in the public sector were beset with delays and management inefficiencies and became a burden on the Government budget. The U.N.P. Government itself based as it was on the commercial and plantation interests felt no internal pressure from the local entrepreneurial groups for a more positive programme of industrialisation. Industrialisation would have required protectionist policies. In a context where external resources were available freely and industrial goods of high quality could be purchased readily in the world market the painful process of import substitution in industry had little appeal to the local capitalist. The U.N.P. was therefore unable to identify any new growth sector for capitalist enterprise. In fact the local capitalist groups preferred to invest their profits

in the plantation sector and by purchasing foreign owned estates even contributed to the export of capital^{1/}.

The crises in 1952 which was of short duration prefigured the problems of the sixties. The Korean boom was followed by a sharp decline in the prices of Ceylon's principal exports. Export prices declined by over 20 per cent in one year (1949). The export income during the Korean boom had accustomed the economy to an import capacity at a correspondingly high level. Imports had risen from Rs.1344 million in 1950 to Rs.1856 million in 1952. The percentage increase from 1948 was over 35 per cent. With soaring profits the demand for imports of luxury consumer goods escalated. Statistics available for a selected range of goods indicate that "luxury" imports more than doubled during the period 1948 to 1952^{2/}. The upshot of those developments was a staggering balance of payments deficit in 1952 which was repeated at a reduced level in 1953. The deficit in 1952 amounted to Rs.441 million, over 30 per cent of export receipts. The balance of payments crisis and the drop in export earnings were reflected in a reduction in the yield of revenue to government both by way of export duties and direct taxes. Meanwhile the cost of the food subsidy had increased from Rs.55 million in 1948/49 to Rs.247 million in 1951/52 and the total of transfer payments had risen from Rs.158 million to Rs.382 million during the same period. Both in 1952 and 1953 government had recourse to expansionary financing and borrowed approximately Rs.205 million from the Central Bank. The internal price level however was not allowed to rise and this was achieved by maintaining an adequate flow of imports and drawing on the external reserves to do so. External assets consequently dropped from Rs.1216 million in 1951 to Rs.640 million in 1953. The crisis high-lighted two elements which were to intensify the development dilemma in the sixties. It exposed in a striking manner the structural weakness of the export economy with its overwhelming dependence on three exports and its vulnerability in the face of any adverse movement in the terms of trade. On the other hand it brought out the inherent dangers in the government policies which subsidised consumption and which created conditions in which import demand was rising rapidly with the increasing population. In 1953, the government moved swiftly to bring both the external transactions and the government budget

^{1/} In 1952 the I.B.R.D. Mission estimated that in 1950 alone the purchase of foreign owned assets resulted in the export of capital amounting to Rs.35 million.

^{2/} D.R. Snodgrass: "Ceylon: An Export Economy in Transition" p.120

into balance. It drastically reversed its policy of income transfer by reducing the food subsidy. Transfer payments fell from a total of Rs.382 million in 1951/52 to Rs.147 million in 1953/54 and the food subsidy from Rs.247 million to Rs.12.5 million. The squeeze on aggregate demand that followed had its salutary effects on the balance of payments. Imports dropped from Rs.1856 million in 1952 to Rs.1540 million in 1954. But more important still the international market for Ceylon's exports steadied, import prices declined marginally and the terms of trade moved in Ceylon's favour during 1954 and 1955. The internal budget showed substantial surpluses on current account and total central government expenditure was financed without recourse to borrowings from the Central Bank. The management of the economy had followed the orthodox prescriptions but these by themselves would not have been sufficient to steer the economy out of the crisis had there not been a significant improvement in the terms of trade.

But on another front these prescriptions had severe repercussions. They made severe dent in the welfare component in public expenditure and reversed the redistribution policies of government. They immediately resulted in mass agitation leading to violence and bloodshed. The urban and rural poor supported by the opposition parties staged violent demonstrations throughout the country until the first state of emergency in Independent Ceylon had to be declared. Their indignation was directed against policies which attempted to rescue the economy from its crisis by placing the heaviest burden on the poorest sections of the community. The drastic reduction of welfare expenditure occurred in a context in which external resources were still freely available for imports which were in demand among high income groups. The events of 1953 defined the constraints within which policy makers would have to work in future.

The crisis, the response of the government in power, and the aftermath has to be placed in the perspective of social and economic objectives which were pursued by both the government and the opposition parties. As stated earlier, the concept of a welfare State and redistributive justice fashioned the political thinking of all the major parties at the time Ceylon emerged as an independent nation. The objectives of social development were uppermost in the manifestos of all political parties. Therefore in Ceylon's case it might be argued that her crisis has grown not because she has neglected the social goals for the sake of growth but rather because she had done the opposite. Her problems of development have become

increasingly intractable because economic goals and growth objectives have been displaced by social objectives. Free education, free health, improved nutrition, subsidized food, a low cost of living, a fair distribution of income became the articles of faith in the political credo of all parties. Transfer payments were as high as 33 per cent of total government expenditure in 1951/52 and was still 29 per cent of a much larger budget in 1960/61^{1/}. The expenditures on social services are tabulated in Table 11. The social programme was aimed at eliminating ignorance and illiteracy, improving health and increasing life expectancy, and removing pockets of abject poverty from society. By and large the policies that were followed were effective in achieving these goals. The data on literacy, mortality and life expectancy, and income distribution which are contained in Table 14 in the Statistical Appendix substantiate this conclusion. As these problems were solved in the fifties and sixties they in turn created a new set of problems as Ceylon moved into the sixties. The production capacity of the economy failed to expand fast enough to fulfil the new aspirations that were generated through the social programmes that were implemented.

The management of the 1952 crisis indicated an alternative path - a cut back on consumption and a reduction of welfare. The opposition however fanned popular indignation against these policies. The unpopularity of the economic remedies adopted by the U.N.P. combined with a number of other hostile forces to remove it from power in 1956. The U.N.P. on the one hand had come to represent the Anglicized well-to-do minority and its links with the colonial past seemed as yet too strong for it to be capable of ushering in a new social order. On the other hand on the economic policies, it seemed not incapable of revoking the social welfare programme to preserve the established order and the standards of living of the privileged minority. The coalition which came to power restored the food subsidy, conceded the wage demands of the working population, resorted to a high level of expansionary finance and maintained a stable cost of living till the end of the fifties by a ready supply of imported goods which was partly financed from its external reserves.

To what extent was the social programme during the forties and the fifties a conscious pursuit of an equitable social order and to what extent was it a populist

^{1/} 1951/52 total government expenditure Rs.1157 M. transfer payments Rs.383 M.
1960/61 total government expenditure Rs.1881.4 M. transfer payments Rs.549 M.

strategy to retain or win political power? It is difficult to separate the two elements. A genuine concern for social welfare was mixed with a political cynicism which motivated political parties to improve on the social welfare package of their opponents regardless of the capacity of the economy to bear the resulting burden. The history of the food subsidy bears witness to this. The reduction of the food subsidy and curtailment of certain other welfare programmes became some of the main targets of attack of the opposition in their election campaign in 1956. The new government restored the subsidy in 1956. In 1960 when the U.N.P. won a short lived victory, it leaned backwards to make amends for its 1953 policies by increasing the food subsidy. In 1962 the S.L.F.P. government sought once again to reduce the ration in the face of a balance of payments crisis and had to withdraw it owing to strong opposition from its own members. In 1967 the U.N.P. which was once again back in power reduced the ration by half but made the reduced ration available free of charge. In 1970 the opposition in a bid to win back power promised the restoration of the ration to the original quantity in spite of the fact that both the internal budget as well as the balance of payments could not have supported such a measure.

Political leaders have on different occasions made utterances which indicate that they were not unaware that subsidies and welfare programmes were totally out of proportion to the country's economic performance or resource base. The present government which campaigned against the reduction of the ration made definite budgetary proposals in 1971 to effect a substantial cut in the food subsidy but as in 1962 a revolt of its rank and file forced it to withdraw the measures. Although there is general recognition of the need to move away from consumer subsidies, each party is reluctant to assume responsibility for an unpopular decision which will place its opponents at an advantage and endanger its return to power. When faced with the responsibilities of management governments have been ready to acknowledge the difficulties of reconciling the massive welfare programme with an adequate development effort; they have proposed and even taken some measures to restore the balance between welfare and growth. But out of power they have been all too willing to exploit the 'gut issues' of the social programmes regardless of their effects on the economic programme. This overwhelmingly political approach to the social programme resulted in the facile redistributive formulae of subsidies and increased consumption. It prevented the leadership from seeking out the possible complementarities between welfare and development and doing the hard economic and social thinking necessary for discovering them.

In a discussion of such complementarities three aspects could be singled out for comment. It is in fact possible to argue that at the initial stages the food subsidy and other elements of the welfare programme did not intrinsically come into conflict with growth objectives and that welfare and economic growth could have been the essential complementarities of development. First, there could have been an alternative package of policies for economic recovery in 1953 which did not reduce income transfers as drastically as they did. A squeeze on consumption in the high income groups through higher direct taxes and steep import duties on luxuries combined with perhaps a modest devaluation would have dealt adequately with the internal and external imbalances while still retaining the food subsidies and the income support it provided to the poorest strata.

Second, to say that the social programme made excessive demands on available resources and thereby depleted the capital available for development is to emphasize one element in a complex situation. It would be equally true to say that the Government's preoccupation with social welfare and redistribution itself stemmed from its inability to mount a development programme of a magnitude sufficient to raise the level of economic activity and increase incomes which would have made the large mass of the population less critically dependant on consumer subsidies and welfare. The failure to create a dynamic development effort complementary to the welfare programme also lay in the lack of administrative capability for such an effort, in the inadequacies in the entire system of decision-making and implementation that was part of the condition of underdevelopment. As will be seen later the failures of management, the absence of the new disciplines needed for development, and the inordinate lags in implementation made the investment programme and consequent growth effort the weakest elements in the total situation. The administration of social welfare programmes did not require the complex innovative skills and disciplines that went with development and therefore were implemented much more successfully.

Third, the package of welfare policies was anti-growth and anti-development not so much because it competed with the development programme for scarce capital, but because it removed the incentives for growth and development in the very sectors in which investments were being made. On the one hand Government was assigning high

priority to its programme on new farmer-settlements, on the other its import policies and consumer subsidies were depressing the market prices for his products.^{1/} The Government was stabilizing the cost of living but it was doing so by creating market conditions which were inimical to the growth and the development of the peasant sector. The items the farmer could produce, rice, chillies, onions, potatoes, pulses and lentils, and a wide range of other products, were being imported freely and were made available to the consumer at cheap prices. The redistributive measures designed to help the rural poor were eroding the base for economic advancement and higher productivity in the rural sector itself. While it is true that paddy output increased at approximately per cent per annum from 22 million bushels in 1950 to 43 million bushels in 1960, this increase has to be considered in the context in which paddy was the only significant growth sector in the economy. The increases in output in the plantation sector were being eroded by the decline in prices. In this situation the growth in the domestic agricultural sector was not on the scale or at the pace that would have enabled it to make a significant impact on the economy as a whole. The contradictions in Governments' welfare policies and the adverse effects it had on farm incomes received comment on a few occasions when the food subsidy was debated in Parliament. In 1952 when the reduction of the food subsidy was being discussed C.P.de Silva, the M.P. for Polonnaruwa, a district where many new agricultural settlements had been established, expressed the view that the consumer subsidy was a disincentive for local paddy production. Mr. Maithripala Senanayake argued that the conditions leading to the reduction of the subsidy could have been avoided if the farmer had received a better price for his produce. But these comments made by politicians who later played a leading role in their parties did not provoke a fundamental reappraisal of the welfare policies and the impact the policies had on growth and on incomes in the very sectors to which government wanted to provide relief through its welfare measures. Certain elements in the social programme were consequently inimical to Government's social objectives themselves.

^{1/} In the first half of the fifties the Guaranteed Price Schemes were not as effective as they should have been. The organization for purchases under these schemes was not adequate. The producer was as yet closely linked to the private trader through credit. The Government schemes of rural credit ran into difficulties and could not replace the private credit that reached the producer more easily though on much harder terms.

It might have also been possible to provide the incentives for growth while preserving the core of the social programme unimpaired. The internal consistencies between the two sets of policies could have been identified and those elements which were contradictory and mutually exclusive eliminated. As will be seen later this was attempted in the period 1965 - 1970 when strong price incentives for the peasant sector were combined with rationing and low prices for a selected parcel of goods. The fundamental weakness in the social programme of the fifties and the early sixties was that it attempted to solve the problems of poverty through redistributive measures and neglected the structural changes and economic measures that would have raised the output, productivity, and the income earning capacity of the traditional sectors where the problems of poverty were acutest.

Therefore to draw a straight cause and effect relationship between the social welfare programmes and low rates of economic growth would be to simplify the situation. On the other hand, the economic benefits of the social programme have often been underestimated. The improvement in the health of the rural population, the eradication of malaria, the raising of literacy levels had their effects on the agricultural workforce. It produced a peasantry more responsive to technological changes and better methods of cultivation, and made the government extension effort to that extent easier. It also had the indirect effect of reducing rates of population growth as larger numbers of women entered the educational system leading to later marriages and greater receptivity to limitation of family size. The political leadership was quick to point out that the social programme was an investment in human resources and created conditions for development. As would be seen from this account the leadership often responded at different levels and in different situations to welfare needs on the one hand and development needs on the other but lacked a consistent policy framework which could have highlighted the inconsistencies and produced a coherent and consistent whole.

(b) The Crisis in the Sixties and the Changes in Priorities

In the beginning of the sixties 'the open economy' phase in Ceylon came to an end. The structural weaknesses in the economy had raised the problems of the fifties to the proportions of a crisis. The export income from Ceylon's three major crops had declined from Rs.1940 M. in 1955 to Rs.1733 M. in 1961, although tea output had increased by 24 per cent and rubber by 6 per cent. Ceylon's experience in regard to her exports after 1955 was one of the worst among developing countries. When the real value of her

export products was taken into account^{1/} the difference between her real national income and the Gross National Product at constant prices was considerable. Had Ceylon experienced some relief in regard to her exports during this period and had she been able to maintain an export income at 1955 levels the development story of the sixties may have been very different. Her capacity to maintain her social programme and at the same time expand her economy would not have been as inadequate as it turned out to be.

But the policy package and the social objectives to which the government was committed prevented it from responding to the new external situation that was developing. Between 1952 and 1955 there had been a fluctuation of export prices to which the U.N.P. had responded promptly. But it had disastrous consequences for the Party's political future. But the crisis had passed and prices had steadied in the period that followed. The coalition government did not wish to fall into what it considered the strategic political errors of the U.N.P. It hoped that the price declines would be temporary in character, expanded its social welfare programme, resorted to massive borrowings from the Central Bank to balance its internal budget and increased aggregate demand in an unprecedented fashion. In short in its economic management it followed policies which were precisely those which would have aggravated the crisis and which were the opposite of remedial measures. By 1961 external assets had dropped to Rs.457 million the lowest level after Independence. The social objectives which influenced economic policies during this period were of course those to which the Government were committed. Protecting the low income households against a decline in living standards and the rise in the cost of living was uppermost among these objectives. The Central Bank urged that expansionary financing be halted but the links between official advisers and the political leadership were not strong enough for Central Bank wisdom to prevail. Furthermore after 1956 the new political leadership regarded officialdom as a conservative element interested in upholding the established system. In the decision-making apparatus at the apex communication between policy makers and the professional cadres had also suffered. The lack of sensitivity and the failure to respond instantaneously to the external situation could be partly ascribed to this factor.

^{1/} G.N.P. at Constant 1959 Prices for 1970 was Rs.9695 M. Terms of Trade effects reduced this to Rs.9779 M. The difference being Rs.915 M. Total "loss" due to Terms of Trade effects between 1962 and 1971 amounts to Rs.5589 M.

The immediate response to the foreign exchange crisis was the introduction of an elaborate system of exchange and import controls. Rapidly and inexorably Ceylon moved into a controlled or closed economy with recurrent scarcities of imported goods, a highly over-valued rupee and a sizeable blackmarket in foreign exchange. The development policies in the face of this crisis once again highlighted the contradictions between the particular variety of social welfare espoused by the leadership and the goals of both economic and social development proper. The restrictions on imports fell most severely on manufactured goods. The supply of essential food imports were yet maintained at levels which were adequate to contain the cost of living. These policies created conditions which were propitious for the import substitution of manufactures and a large category of these manufactures catered to the demand in the middle and high income groups. Foreign exchange was released liberally for imports of capital goods for establishment of these industries and a new industrial sector was created. The import substitution benefits and the national economic benefits of this sector were not very significant. It depended on a high proportion of imported intermediates and it was capital intensive. Within a captive market, prices of manufactured goods soared. The terms of trade moved against the agricultural sector. The beneficial impact of social welfare policies were offset by economic policies which did not analyse their effects on different sectors and income groups.

The balance of payments became the dominant factor in the sixties and the contradictions inherent in Ceylon's social and economic policies were reflected sharply in the management of the foreign exchange budget. Decisions had to be taken on the priorities between consumer intermediate and capital goods imports and the painful choice between consumption and investment became clearer.

By 1965, the very severity of the crisis however compelled a shift in national priorities. In 1965 the United National Party was again back in power. The period between 1965 and 1970 brought the growth objective to the forefront. An attempt was made to identify the complementarities of welfare and growth. A wide range of measures which restricted food imports, created scarcity in commodities which could be locally produced, and raised the prices for farm produce including paddy, potatoes, chillies, milk, gave a new stimulus to the growth of the agricultural sector. A minimum ration of essential food items was also maintained to retain the income support to the poorest sections of the community. The result was a two tier price

structure, comparatively low for the rationed supplies, and high in the open market. The open market provided the price incentives for increases in domestic output. The policies also implied a shift in the approach to social development. By creating the conditions for the growth and improvement of the peasant sector, the problem of poverty was being solved through growth and increases in productivity and incomes rather than through income transfers and subsidies. The rural sector was being transformed from the passive recipient of government largesse, to an active agent in development. In the period 1965-1970 the domestic agricultural sector achieved a new importance in the economy. Its performance had significant consequences for the management of the foreign exchange budget. Economic policies were therefore slowly reducing the dualism in the economy and integrating the traditional sector in the process of economic growth. The peasant and his economic activity was for the first time reviewed at the highest national level by a Cabinet Committee on food production.

The recovery of the economy depended crucially on another strategy - the availability of foreign aid. Already in 1964 the Coalition Government under Srimavo Bandaranaike was exploring the possibility of increasing foreign aid substantially to supplement the external resources from her exports. In 1965 with the return of the U.N.P. this was made the cornerstone of economic policy. External resources were augmented by this means to restore supplies to an economy which was working below capacity, and later to increase investment and capital formation by a substantial amount. But foreign aid was politically a two edged weapon. The opposition claimed that Ceylon's dependence on foreign aid meant that she had to tailor her internal policies to suit the prescriptions of the World Bank, the I.M.F. and the donor countries. The response of the Left parties to the World Bank and its associates was conditioned by their socialist and Marxist oriented idealogies. The economic and political effects of aid were seldom subjected to objective analysis and scrutiny. The response was largely an emotive disapproval of institutions which the Left saw as elements in the Imperialist and Capitalist network. It is correct however that the World Bank and the I.M.F. diagnosed the problems of the economy and prescribed remedies; these included the obvious policies of refraining from expansionary financing of the government budget, adopting a more realistic exchange rate, shifting priorities from social welfare and subsidies to development. These were in any event remedies which the economy would have had to adopt to steer itself

from the crisis and were those which Ceylon's own economists and advisers had recognized as economically desirable or necessary. The problem was one of formulating a policy package which would make what was economically necessary also politically feasible.

By 1965 a new and explosive problem had appeared on the development scene. The population explosion in the late forties and early fifties had had its effect on the workforce, which had been growing at the rate of about 3 per cent in the sixties. The censuses in 1946 and 1953 had not shown any significant unemployment. The I.B.R.D. Mission in 1952 had commented that "open unemployment had not yet become a problem for Ceylon although the conditions of underdevelopment resulted in the underemployment of the workforce." The rapid increase of the workforce on the one hand and the slow growth of the economy on the other led to a steadily increasing backlog of unemployment in the early sixties. By 1970 the unemployed were estimated at 550,000 almost 14 per cent of the workforce. The problem was compounded by the fact that almost 80 per cent of the unemployed belonged to the age group between 15-24 years of age and were the products of the free educational system. Twenty five per cent of them had completed their secondary education and nearly 50 per cent had gone up to mid school between grades 6-10. The demand for employment of the group was at a level which could not be easily matched by the job opportunities in the traditional sector. The educated unemployed were seeking wage employment in the modern sector at a level which they considered appropriate to their educational attainment and which had been easily available when educational opportunities were far more restricted. The U.N.P. government during 1965-1970 beset by the problems of economic recovery and the balance of payments saw the magnitude of the emerging problem of unemployment. At the end of its regime it made an effort to mount a special employment programme but this however could not be organized on a scale that could make a significant impact. In any event the country was getting ready for another election and such programmes at the end of the Government's term of office came to be criticized as political gestures and their credibility was therefore impugned.

The 1970 elections brought another shift in priorities and a new mix of development and welfare. The Government in power suffered an overwhelming defeat. The attempt to manage the economy on a sound basis had moved the emphasis from welfare to economic performance. The Exchange rate system had been reformed. A better allocation of resources had followed; there had been changes in the price structure which favoured

local production. But the growth of the economy and the rise in incomes had not adequately compensated for the rising cost of living particularly when the population had been schooled to the idea that it was the business of the government to keep the cost of living low. More important still, the growth effort itself had been baulked by another steep decline in export commodity prices which had more than offset the transfer of resources through foreign aid. Consequently, the economy itself had been unable to create new capacities that could make a significant dent in the problem of unemployment. Meanwhile although the available data show that changes in the pattern of income distribution further reduced inequalities between 1963-1970, the spurt of prosperity among the new industrial groups and their ostentatious styles of living attracted much comment and popular resentment. While import bans on agricultural commodities were imposing new hardships on the average consumer, the evidence of conspicuous consumption in a small minority aroused envy and caused social tensions. The new Government promised a new programme of development and welfare. The solution of the problem of unemployment figured prominently in its manifesto. It undertook to accelerate the rate of economic growth, restore the rice ration and give relief to the low income households by reducing the cost of living, raise wages, reduce income inequalities, eliminate the concentration of wealth and power through the expansion of the public sector, and reduce the dependence on western aid which it argued imposed constraints on the implementation of socialistic policies. But each of the objectives of the new government had elements which were irreconcilable with its other objectives. The conflict in these objectives set the new dilemma for the seventies. To reduce the cost of living went counter to the restriction of food imports which could be locally produced. A reduction in Aid would have aggravated both the budgetary and balance of payment problems. Counterpart funds from Commodity Aid were financing over 40 per cent of the rupee component of the government capital development programme. An employment oriented strategy would have imposed restraints on incomes of those already employed and called for a wages policy which would not have been readily acceptable to the working class. The expansion of the public sector and nationalization of selected private enterprises would have been a disincentive to private sector activity and would have had its adverse effects on employment generation. Caught up in these conflicting pressures the government also faced the pressure towards increasing egalitarianism. On the one hand the productive base of the economy had not expanded fast enough, on

the other the slow expansion had meant that the social welfare programme itself was under pressure. The populist slogans of politicians in this context called for a drastic reduction of the living standards of the high income groups. They argued that sharp contrasts in styles of living, and large disparities in income made it impossible to impose the necessary austerities and restraints on consumption on the broad mass of the people. But then there was the danger that a creeping egalitarianism would cripple and restrict enterprise and effort in those entrepreneurial and decision making groups in society on whose skills and activities the economy depended for its growth.

The Coalition Government attempted to reconcile some of these conflicting objectives in the development strategy it adopted in the Five Year Plan and the socio-economic policy package that went with it. It aimed at a 6 per cent rate of growth for the economy and an employment objective which would reduce the rates of unemployment from 14 per cent to approximately 7 per cent. Its growth effort was concentrated on the low productivity, employment-intensive sectors - the modernization of the traditional peasant sector and small scale industry. By this means it sought to reconcile the social and economic objectives by a development strategy which raised incomes in the low income sectors and expanded employment and thereby dealt with the two major causes of poverty - the low productivity of the rural sector and the high rate of unemployment. The expansion of the modern sector however was not neglected but its place within the total strategy was determined by the over-riding objectives pertaining to employment creation and the balance of payments. It sought to diversify agriculture into a programme of import substitution of wider range than in the past and to develop new export crops. By attempting to diversify the base of peasant agriculture with export elements, it sought to include the complementary objective in respect of the balance of payments within its anti-poverty strategy. In its attitude to foreign investment it provided for an enclave of foreign investment in an export processing zone and sought to maintain a balance which would not expose it to the ideological criticism that foreign capitalist elements were being allowed to gain control of the internal economy. The plan worked within the framework of a mixed economy with almost half of the investment coming from the private sector.

In its socio-economic package it again attempted to reconcile the social demands with the economic priorities. A drastic reversal of the welfare policies and a reduction of expenditure on food subsidies and health endeavoured to bring the internal budget into balance, reduce aggregate demand and relieve pressure on the balance of payments. The austerities it imposed on the large mass of the population was counter-balanced by an extensive land reform, a ceiling on residential property, and a ceiling on personal consumption expenditure. The package was designed to convince the masses that a restraint on consumption for the whole of society was essential if the growth and employment objectives were to be achieved, but that such restraints were being imposed within a framework of social equity where the burdens would fall more heavily on the high income groups. Many of the policies have aroused controversy. Their precise economic consequences have been interpreted differently. The Government contention has been that a mixed economy could be preserved within a democratic system only if there are adequate 'trade-offs' among the different interest groups in society - the propertied private sector, the urban working class, the peasantry. These mean that the private sector itself for its own survival has to come to terms with the social pressures in their environment and operate on expectations of profit and income different from those in a free enterprise system. The alternatives are a build up of social tensions which will undermine the democratic system itself. To the low income groups it poses the choice between welfare and employment for the young generation. The progress on the socio-economic package and the Five Year Plan however underscore the difficulties in any attempt to untangle the interests of the different groups and reconcile these conflicting objectives. The budgetary measures designed to increase resources for development were rejected by the Government Parliamentary Group on the ground that the social measures on land reform and expenditure ceilings should precede any measures that impose burdens on the masses. Certain groups within the Coalition have called for a large programme of nationalization as a precondition for the reduction of subsidies. The pressures that have built can seriously impair the relatively delicate balance that the Five Year Plan seeks to achieve among the different interest groups.

(c) Social Development Policies

At this stage it is necessary to provide a brief account of the social development programmes of governments during the period 1948-1975. Table 11 contains the expenditures on social services for selected years and indicate the proportions of the GNP and government expenditure spent on the social service component. It would be

observed that the social programme continued to occupy a central position in the national programme of all governments. As was stated earlier Ceylon provides an examples of a country where starting from a comparatively sound economic base, policy makers emphasized the social component of development to the relative neglect of the economic component. Free health services, free education and a wide range of consumer subsidies resulted in a significant redistribution of income. The policies of income transfers and massive investment on peasant agriculture helped to reduce regional disparities. There was a major shift of population from the densely populated rich plantation economy of the wet zone to the thinly populated "annual-cropping" peasant economy of the dry zone. The rate of urbanization in Ceylon was extremely slow (see Table 13). This was due on the one hand to the slow expansion of urban economic activity which reduced the "pull" of the city and on the other it was due to policies which spread civic amenities such as health and education throughout the country, provided income support to the rural sector by means of subsidies and expanded peasant agriculture. Another important factor was a relatively humane structure of property relations in the rural sector in which one could not identify the oppressive landlordism that prevailed in many other Asian countries. Legislation to improve tenant-landlord relations in paddy lands made the situation more secure for the small cultivator. All these strengthened the retentive capacity of the rural sector, reduced the "push effects" which accelerate rural to urban migration and produced a rural urban balance which was somewhat unusual for developing countries.

Both in regard to location of projects and allocation of funds for development regional considerations had an important place. Industrial location in the public sector gave perhaps undue weightage to less developed regions mainly on account of pressures of influential Members of Parliament. While location always bore some relation to raw material sources the possibility of benefitting a region which was less developed unquestionably influenced decisions. The Public Sector projects were consequently widely dispersed in different parts of the island. The Members of Parliament through District Co-ordinating Committees pressed for allocation of funds for development work in their Electorates and influenced the compilation of priority lists on which the decisions of the Central administration were based. This was most pronounced in the provision of educational and medical facilities which were often distributed on an Electorate basis sometimes against technical considerations. Therefore the Parliamentary system, the administrative machinery, as well as conscious Government policies contributed to the wide dispersal of development expenditures. This has culminated

in the establishment of Divisional Development Councils at the "Grass-roots" level which are expected to institutionalize planning from below. The Councils have been assigned the task of preparing a micro-plan for the village area it covers to ensure the best utilization of resources in the area and to maximise the potential for employment. Vide Appendix. With this innovation, the government has also decided to break down the relevant parts of the government budget into its District components so that the regional spread of development is made more explicit and given more emphasis.

The social policies of the government were generally directed at winning the support of two groups - the urban working class and the peasantry. The urban working class which had a powerful trade union organization led by the left politicians were able to improve their working conditions by a series of progressive labour laws and wage concessions. The organized character of the working class, the economic power they wielded (e.g. port workers in the export-import sector) enabled it to win a share of the national income which compared favourably with the rural sector. The majority of low income households in the urban sector fall into the Rs.200 - Rs.400 category while in the rural sector they are in the category below Rs.200/- (vide Table 15). But in the period after 1965 government policies on food production and the ban of selected food imports helped to raise farm incomes and reduce the disparities between the urban and rural sector. Between 1963 and 1970 the share of the urban income receivers in the total income declined from 28.2 per cent to 25.2 per cent. The proportion had shifted in favour of the rural areas. The effect on income distribution as a result of government policies is illustrated in the Chart which shows the Lorenz curves for 1953, 1963 and 1970. The share of the highest decile had dropped from 39 per cent in 1963 to 29 per cent in 1970 and the deciles which had gained were mainly the deciles in the lower half.

In Government programmes and policies there was one important segment however that remained isolated from the economy - the immigrant labour population in the estate sector. The transfer of income from the high productivity sector to the low productivity peasant sector implied that working conditions and wages remained almost constant in the Estate sector. The decline in export prices and government taxation policies combined to reduce the income in the plantation sector, and it could ill afford a wage increase and the consequent rise in cost of production. The decisions relating to citizenship rendered the large mass of immigrant labour stateless. The policies on recruitment prevented the employment of non-Ceylonese and contained the Indian immigrant labour within the estate sector on low wages with increasing unemployment

and underemployment. The integration of this working population with the rest of the economy would present a major problem in the seventies and eighties. A large proportion of these workers will acquire citizenship under the Indo-Ceylon agreement relating to the Indian population in the Estate sector.

Ceylon had during the last twenty five years pursued a path of "Social" development which had achieved positive results in the field of education, health, nutrition, regional dispersal of growth, rural and urban balance, and income distribution. It is difficult to assess the extent to which the humane welfare-oriented programme enabled the leadership to preserve the democratic system and work within it, when the system proved unworkable in different socio-economic conditions in many other parts of the developing world. But there is no doubt that the central concern with poverty and the low income groups in society consolidated the base of democratically held power. The leadership was only too conscious of this aspect and this awareness always conditioned all their approaches to welfare and growth. But the dilemma of the seventies is that the production base can no longer sustain the welfare programme on the present scale, and the problem of unemployment makes the diversion of resources to growth unescapable.

In examining the emphasis on social programmes it is necessary to draw attention to the manner in which government policies in other spheres contributed to nullify the objectives of these programmes. While the government had little difficulty in identifying the explicit welfare programmes - health, education and so on - it was unable to make a consistent analysis of its policies in various fields and evaluate their effects on the social objectives. While it was much concerned with improvement of conditions in the peasant sector, its food import policy, and its industrialization policy in the early sixties worked against the interest of this sector. While it was concerned with the problem of unemployment and the creation of new employment opportunities its policies favoured the input of capital intensive technology and its labour legislation and management of industrial relations acted as a disincentive to labour intensive activity. There was no machinery at the command of the government to examine and analyze the inconsistencies as between its physical programmes and its policy making in different areas of the economy.

4. Participation in Policy Making

The principal means of public discussion of national policies has been of course the Parliamentary process in Ceylon. The balance of power as between the major political parties which polarized into the private sector oriented right-of-centre

U.N.P. and the public sector oriented left-of-centre coalition created conditions which would have been normally conducive for the intelligible public discussion on national issues. The rate of participation in elections by the electorate has been extremely high and denotes the political maturity of the mass of the population. Approximately 85 per cent of the registered voter have exercised their vote in the 1970 elections. The changes of government also indicated the capacity of the elector to make its own judgement on the performance of governments. The major political parties have been defeated and returned to power. (vide Appendix). The public meeting has been the main forum for political propaganda and while it is at its intensest pitch during the election campaign, all parties continue to maintain contact with the electorate through mass meetings, campaigns on particular issues, party conferences and so on, in the period between elections. The machinery of political propaganda and communication has no doubt made the parties sensitive to changes in popular aspirations and shifts in the mood of the masses. It has enabled the parties to seize on the issues which have the widest popular appeal. But the demagogic element in the political debate and controversy among political parties usually prevented the serious and sober public discussion of national problems. The public meeting and the apparatus of political propaganda in Ceylon were intrinsically unsuited for serving as mass media for such a discussion. Political controversy often led to over simplification and misrepresentation of issues and in the heat of political rivalry even the positive and valuable elements in an opponent's programme were dismissed.

The structures of the political parties themselves do not provide for mass participation in political activity on a continuing basis. The U.N.P. and the S.L.F.P. are organized as more or less open parties; they have a comparatively large membership with branches in all parts of the country. But their activities are geared primarily to the election campaign, and the analysis of political and developmental issues within the party on a continuing basis is only a peripheral activity. The Marxist Parties, the L.S.S.P., C.P. and other smaller groups have a much more restricted recruitment of members and have therefore a small membership in the parties themselves. They are linked however to the Trade Unions which are usually controlled by Party members who hold office in the Unions. By these means the Marxist parties are in close contact with the organized working class and by directing Trade Union action provide the Marxist oriented political education of the working class.

Outside the political machinery, there has been hardly any formal means of securing popular participation in the formation of policies. No institutional framework has existed for regular communication between the government and representative institutions and different social groups. The Coalition government (1956-1960) set up a Planning Council but this was the apex planning body to which a few members outside the government were appointed. While the appointments had some representative character it was not intended as a means of maintaining a dialogue between the government and the important decision-making groups in society. The U.N.P. (1965 - 1970) established a Development Advisory Council in which private sector business interests were invited to participate in the development effort, discuss government policies and formulate proposals. This functioned with some measure of success. In addition the U.N.P. during the same period had an Agricultural Advisory Council which represented agricultural interests including cultivators and which discussed the problems pertaining to the government's food drive. This too helped to give broad national participation in the programme of food production which had become the centre-piece of government policy at the time.

Recently, there has been some discussion on the need for an institutional framework of consultation on national planning and policy which would contribute to identifying the areas of agreement between the different social groups and thereby creating a unified national will for development. Such a framework would have a National Planning Council at the apex with consultative committees, representatives of business interests of Trade Unions, of farmer interests and other important sectional interests. The proposal envisages a continuing discussion on development policies and problems so that the true character of the development crisis and the magnitude of the effort needed to overcome it is understood by as wide a section of the population as possible.

As mentioned earlier in this study, a network of representative institutions have been established at the village level to involve the village communities more closely in development activity. A brief description of the organization and functions of these Councils is contained in Appendix . These Councils are expected to provide the opportunities for local communities to participate in village level planning and development and by this means enable the national planning organization to build parts of the national plan from below, reflecting the felt needs of the people.

But apart from the formal apparatus for popular participation and for consultation with representative sections of the people, the democratic system provided for the more informal exercise of influence and pressure from group interests of all types. As described earlier the different social and ethnic groups exercised influence on formulation of policy more or less in proportion to their economic power and their weightage in the electorate. The business sector had its own associations such as the Planters' Associations, the Chambers of Commerce, and Chambers of Industry. The business interests were often divided among themselves by conflicts of interest. For example there was the division between "Ceylonese by descent" on the one hand and the non-Ceylonese and immigrant minorities who had gained Ceylon citizenship on the other. The Ceylonese newcomer to business considered the non-Ceylonese entrepreneur who had gained control of certain fields of trade and industry an interloper, and began appealing to national sentiment and agitated for "Ceylonization". There was further the division between the small scale and large scale business interests. The small scale entrepreneur was for various reasons more acceptable within the socialist framework than the big capitalist, and therefore concessionary policies towards this group as well as measures to promote and finance small scale enterprise found greater acceptance. These various groups were able to lobby with government in regard to government policies whether they be taxation, Ceylonization, policies relating to the role of the private sector, allocation of foreign exchange, and they did exercise considerable influence in the shaping of policies of all governments. The urban working class through the trade union movement took active part in supporting or opposing policies of government. This extended not only to trade union issues but also to more basic issues such as reduction of subsidies, legislation curtailing civil rights and policies relating to language. In some instances their views were supported by strike action. The militant among the Sinhala Buddhist majority had set up their own elaborate organization outside the political party machinery. This was a special front to protect the language and culture and it enlisted support from the Buddhist organizations, the clergy, the Sinhala School teacher, the practitioner of indigenous medicine and so on. These groups exercised a major influence on political parties and their policies and in one instance was able to compel Mr. S.W.R.D. Bandaranaike, the then Prime Minister to revoke an agreement he had made with the Federal Party. The peasants as a class had not organized itself in any form; for example there was no network of farmer associations which could exert pressure on particular issues. But the links between

the peasantry and members of Parliament from rural electorates were close enough and strong enough for the Parliamentarians to become aware of the peasant reactions to government measures and to transmit them to the leadership. The organizations and activities representative of religious and ethnic groups - Ceylon Tamils, Indian Tamils, Muslims or Catholics - were linked to the political programmes of the parties which either directly represented their minorities or were in closest sympathy with them. Almost all minorities have been vocal about their group interests and the small minorities e.g. Muslims have enjoyed a relatively favourable position in a situation in which the majority community in its dealings with the largest minority- the Ceylon Tamils - have sought support from the other minorities. Of the religious groups other than the Buddhist one of the best organized groups is the Catholic group which controlled an important segment of the educational system. When the government decided to take these schools over to the State, this group opposed the takeover with organized action and was able to gain some concessions.

The political system and the democratic institutions did certainly enable Ceylonese society to give expression to its pluralistic character and allow for the interplay of a wide variety of group interests. But none of these groups were able to articulate any well-defined point of view regarding national development policy which transcended their limited sectional interests. In the whole conflict between welfare and growth, spokesman of the propertied classes who made the major contribution to the income transfers often deplored the emphasis on welfare and the emphasis on growth. This often took the form of the undiluted private sector demand that the surpluses be left in its hand to finance its investments, increase its wealth and expand the economy. The urban working classes and the rural peasantry resisted any attempt to tamper with the welfare programme but the objectives of economic growth and higher productivity were never explicitly espoused by them as a class. Even the Trade Union movement was "demand-oriented" and was too preoccupied with the advancement of its wage demands and the betterment of its working conditions and its interests to devote itself to the implications of a strategy which assigned high priority to economic growth. Such implications would have included a modification of their attitude to the cost of living, wages, import policies and a whole range of government policies. In the controversy regarding the role of the public and private sector the urban working class schooled as it was in Marxist doctrine opposed development policies which would

have strengthened the role of the private sector, while private sector business considered the expansion of the public sector an ill-advised policy leading to inefficiency and waste of resources. Furthermore the role of the private sector as a development agency came seriously into question in the mind of the common man when foreign exchange frauds of various types were uncovered and when it seemed that private sector elements were callously contributing to the leakage of foreign exchange at a period of grave crisis in balance of payments. This major controversy regarding the instruments of development and the political attitudes to it had serious repercussions for both public sector and private sector enterprise. As far as the public sector was concerned the mutual suspicion and distance between the public and private sectors meant that the flow of commercial and managerial skills from private business that might have strengthened the public sector did not take place on any significant scale; there was no positive interaction between the two sectors as essential parts of a national system of production and business. At the same time the propertied class in the private sector was reluctant to work within a long time-horizon and guide its investment and business policies accordingly as it was uncertain as to what the changes of governments may bring. This uncertainty was real as the balance of power among political parties made frequent changes possible. The U.N.P. identified itself with an economic model in which free enterprise, the private sector, and the competitive market were important elements. It emphasized private initiative and enterprise, welcomed foreign investment, and relied increasingly on the market and the price mechanism. These policies while they had their obvious economic rationale also had an ideological base. This model was seen by the opposition as the capitalist alternative. The mix of policies in the opposition programme included State trading, an expansion of the public sector and price controls. Both major parties believed in the necessity of a mixed economy. The Marxist parties who joined the Coalition also subscribed to it. But in each, the prototype of the mixed had a different emphasis and balance as between the public and private sectors. The S.L.F.P.-Left Coalition saw the balance as one which was increasingly in the favour of the public sector. The U.N.P. saw it as one in which the productive sectors were largely in the private sector. The balance of political power in the country and the changes of government therefore vitally affected the continuity of development policies, as well as the role of the different agents of development.

It is difficult to make any very definite comments on the knowledge and understanding of the major development problems among the different strata of the population. Writings and expression of views which can be taken as representative of a particular social grouping or class are not easy to identify. The working class has its official organs but these are the party organs of the Left parties and they are identical with party points of view. While the major constituents of the development problem, the balance of payments, the low rate of savings, the increasing work force, the links between welfare expenditure and budgetary problems, the links between budgetary problems and the balance of payments problems were very much the preoccupations of the policy makers and professional elite during the fifties and the early sixties, the growing economic crisis has begun to deepen popular awareness of the development problems. As stated earlier, unemployment among the young have also helped to focus attention on the need for rapid economic growth. The politicians are more ready to explain the short term choices between consumption and growth and the slogan that "Welfarism is not socialism" is frequent in the utterances of Left leaders. There is national recognition of the need to create a new export sector, to become self-sufficient in food items that can be locally produced, and to make employment the central objective of the development effort. It is in regard to the means of achieving these objectives that the differences emerge in the different party positions and are reflected in the different strata of the population supporting them.

Very broadly the conflict in approach to the development strategy stems from the different approaches of the propertied class and the urban working class. This is fundamentally the difference that has already received comment. The propertied classes consider that development can best take place in a mixed economy with considerable freedom for private enterprise, with income differentials that provide incentives for such enterprise with less of welfare, and more of private initiative and effort. As against these perspectives, government policies which curtail private enterprise, dismember the private sector through land reform and acquisition of businesses, lower the profit incentive through severe tax measures and expenditure ceilings are all regarded as inimical to development. The working classes and the lower middle classes want much less of the private sector and private property, much greater State control, lessening of income inequalities and a retention of the welfare package. The working classes however have expressed their readiness to accept some reduction of the welfare benefits and to bear with an austerity regime but only within a framework which is

demonstrably progressing towards socialism. The policy issues which affect the large scale private sector do not affect the rural sector and the domestic agricultural economy neither does it affect the small scale industrial sector. These remain fundamentally neutral to the effects of income policies, nationalization issues, or measures which may create disincentives for large scale private enterprise. It is in fact in this sector that development possibilities are least constrained by conflicts in objectives. The right import policies which may lead to ban of food imports which can be replaced with local production will provide the incentive for growth in this sector. The consequent rise in the cost of living which will be opposed by the urban population will spell an increase in incomes for the rural sector. The structure of ownership in this sector will by and large allow for growth and income increases without increasing inequalities in wealth and income. The problem of development is seen by the leadership of all parties as one of radically altering the relationship between the people and the government that has persisted from colonial times. The relationship could be characterized as that between a paternalistic benevolent government and a mass of dependant economically helpless beneficiaries. The vast mass of the population saw the government as the powerful benefactor and cast themselves in the role of recipients. For the right development climate it is necessary to alter the relationship into one where the government is the main agent of development and where the people seek from government the conditions and opportunities for increasing their productivity and income earning capacity. This would mean a shift from the dependence on income transfers and subsidies to increasing self reliance. The emphasis on the growth of the domestic agricultural sector which hitherto absorbed the major portion of the income transfers will enable policy makers to make the shift from subsidy oriented policies to growth oriented policies.

The unemployed among the educated youth, the majority of whom are in the rural sector constitute a new element in the social situation. Many factors such as their level of education, their youth, their cultural homogeneity have given the unemployed a recognisable identity as a social group. The fact that the young vote could become a decisive factor in most electorates makes youth unemployment a highly sensitive problem for the politician. The young age group played a very active part in the 1970 elections. The uprising in April 1971 relied largely on the support of the age group between 15 and 25 years, and the large number of educated unemployed in this group comprised the militant and ultra-radical base for the movement. Without further study

of the youth phenomenon and its special characteristics in Ceylon it is unwise to generalise on the attitudes of youth in general or of unemployed youth as though they constitute a separate interest-group. However the problem of youth unemployment and the prospect of a long wait after education to enter the gainfully occupied workforce appear to have created an outlook on development and an attitude to the prevailing socio-economic system which are typical of the large majority of the youth. The prospect of prolonged unemployment has helped to fashion a near-anarchist ideology among the more radical elements of the youth. This was illustrated in the utterances of the leaders of the youth uprising who appeared to reject the prevailing system in its entirety. The alternatives they had to offer remained indefinite and vague. The movement was a reaction against the economic stagnation of the fifties and sixties which resulted in the massive backlog of unemployment. Speedy and rapid development during a decade of austerity was offered as a solution by the insurgent leaders; the austerity was envisaged within a system which bore affinities to a Chinese type collectivism. The insurgent movement cannot be taken as representative of the young age group as a whole. But although the movement is an extreme expression of youth discontent it reflects the growing disillusionment of young persons with the entire socio-economic system which has not been able to create adequate opportunities that enable them to become useful and productive members in their society. The attitudes to development in this age group will exercise increasing pressure on the approaches to development in Ceylon in the seventies and eighties and the integration of this age group into the development effort within an acceptable socio-economic framework will have to be a major element in any development strategy.

In regard to popular participation and public discussion of development problems one aspect deserves comment. It could be said that the sustained discussion of socio-economic and development problems is largely confined to the political elite on the one hand and to the Government bureaucratic elite on the other. The Government bureaucracy however conducts its discussion as part of its Government business and public have access only to those parts which are released to the press and other mass media, or are published. Apart from a few local writings, there has been a steady output of literature from groups or academic communities where the development problems of the Ceylonese society are critically and objectively discussed and analysed. The absence of such centres of thinking and discussion have had its effect on the quality of decision making and the level of public scrutiny and evaluation of Government policies. The political discussion that takes place is inevitably

propagandist and is often conditioned by a particularly ideological approach. The Government bureaucrats are constrained by their official role, and free and searching inquiry is consequently limited. The private sector or the Government may have been in a position to foster such intellectual activity by founding autonomous institutes and centres of inquiry. But the private sector constituted as it was showed little inclination to support research and intellectual activity. The Government too did not recognize the need. In any event Government support may have always brought such institutions under Government direction unless their autonomy was clearly established.

5. Planning

The Governor General's address at the opening session of Ceylon's first Parliament in 1947 contains the following reference to planning - "My government realises that the future well-being of this country depends to a great extent on the sound development of its resources and that the first step in this direction is Planning".. Attempts at centralized direction of development began with various investment proposals during the period 1946 - 1952. The first of these was the Post-War Development Proposals of 1946 which assembled investment programmes for Transport, Communication, Agriculture, Education and Health. The first two budgets after independence (1948-1949) were presented as a "Six-Year Plan". These too contained the government investment programme under the various Ministries, and like the Post War Development Proposals did not attempt to provide a framework for the growth of the economy as a whole encompassing both public and private sectors. During this period although the declared policy favoured national planning there was no formal planning organization. The 1946 proposals and the so-called Six Year Plan were ad hoc exercises, the latter being largely the outcome of the budgetary exercise.

The IBRD Mission in 1952 recommended the creation of the necessary institutions for "properly co-ordinated planning and supervision of government capital investment programmes." An Economic Committee of the Cabinet was to be established and this was to be serviced by an Economic Planning Secretariat. Eventually the planning organization which government established in 1953 broadly conformed to these recommendations. The Six Year Programme of Investment which was produced by this organization in 1954 was closer to a national plan than the documents which had preceded it, but the Programme was still essentially organized around the government capital investment budget. The title of the document was in fact intended to define the limited scope within which the programme had been formulated and to distinguish it

from a Plan. Separate chapters in the document set out in an exploratory form the possible approaches to national planning and identified some of the priorities and strategies that would have to be adopted in the formulation of a national plan. The first phase of "planning" which is illustrated in these documents are in fact the rational and co-ordinated presentation of investment proposals, on most of which commitments had already been made by individual Ministries. Therefore it would not be altogether relevant to inquire what influences such post-hoc planning had on decision-making. At this stage it is difficult to identify the planning process as an independent activity which assessed the potential for development in macro-economic national terms and provided a framework within which sectoral policies and investment programmes had to be formulated. Even the IBRD Mission recommendations of 1952 which gave broad guidelines for investment and economic decision making consisted largely of programmes already undertaken or proposed, and where the Mission recommended significant changes in such programmes as in the case of public sector industry, government proceeded on the committed course.

It is only with the preparation of the Ten Year Plan, that the planning activity assumed an independent identity and demonstrated the co-ordinating and supervisory role it would have to play. For the first time the government prepared a plan for the whole national economy, setting out the targets of growth of the Gross Domestic Product, the sectoral breakdown of this growth, the investment inputs for the achievement of these targets and the composition of government and private sector investment in the total effort. A key element in the strategy was employment creation. The Plan revised the sectoral priorities which had prevailed up to 1956 and gave a much more significant role to industrialization than had been given in the past. The Plan also estimated the resources of the development it envisaged and provided the policy framework for the management of the economy. The Ten Year Plan never becomes an operational document. With the assassination of the Prime Minister and the changes of government and leadership that occurred in 1960 the Ten Year Plan was laid by. Another planning exercise more limited in intention and scope was begun in 1961 and a Three Year programme of Implementation was issued in 1962. The programme drew heavily on the work of the Ten Year Plan but sought to reduce the sector plans to programmes of action with specific recommendations to be implemented within three years. As in past documents (with the exception of the Ten Year Plan), the clearly defined core of the Programme consisted of the government sector programmes, while the magnitudes of investment for the private sector were only indicative.

Although the Ten Year Plan did not become an accepted framework for government decision making it clarified and defined the major development problems of the country and laid the base for comprehensive sector programmes. The indirect influence it had on government thinking, on preparation of future sector programmes, and on the planning activity although not quantifiable was nevertheless considerable. Its failure to make a direct impact on government decision making and on the management of the economy is attributable to a variety of causes. Of these a few could be singled out for comment. The social climate in the period 1956-1960 was not favourable for economic planning. Society was agitated by issues far removed from development. The suppressed tensions between ethnic groups broke out in violence. Religious issues were pushed to the forefront. The movement to 'restore' the majority community and its culture and language to the premier position in Ceylonese society occupied the centre of national attention. The priorities of the plan therefore did not make contact with the issues which were agitating the masses and the politicians. Apart from these considerations, the planning activity and economic decision-making had little to do with each other during this period. While the planning organization was devoting its energies to the preparation of a sound plan of development, the management of both the government budget and the balance of payments as was seen earlier was pushing the economy to the severe crisis it encountered as it entered the sixties. Therefore at the time the plan was issued and more definitely by the early sixties some of the assumptions made in the Plan regarding resources were no longer valid. A third factor which affected the Ten Year Plan was the change of personnel in high positions. The Ten Year Plan was associated with the Coalition Government of 1956-1960. The new Finance Minister wanted a new plan document with a different emphasis. The same fate overtook the Short Term Implementation Programme. With the resignation of the then Finance Minister in 1962, the National Planning Department lost its key role in government decision making. The new Coalition Government of 1964 with an L.S.S.P. Finance Minister sought new directions and new plan perspectives and in this context, the Short Term Implementation Programme was set aside. During this period the Planning organization underwent several changes. The Secretariat in the pre-1956 period was replaced by a National Planning Council serviced by a Planning Secretariat. The Council had a membership of twelve and had the Prime Minister as its Chairman. In 1960 the Council was dissolved and replaced by a National Planning Department under the Prime Minister. The main function of the planning

organization was that of plan formulation and its activity could be described as advisory. To the extent that the plans were not accepted by governments as working documents the planning organization did not enter into the mainstream of government decision making.

The period 1965 - 1970 attempted to give new directions to the Planning activity. The experience in regard to the Six Year Programme of Investment, Ten Year Plan and the Short Term Implementation Programme, had made planners sceptical of the effectiveness of formal planning exercises. The Planning organization therefore decided not to devote its energies to the formulation of a long term plan during the period 1965 - 1970 but to get more directly involved in the management of the economy and provide the strategies and the guidelines to steer the economy out of the crisis it faced. It concentrated on the most important elements in the crisis and attempted to provide a new policy framework to move the economy to a growth-oriented path. The Planning organization took the foreign exchange budget and the capital development budget directly under its control and implemented a strategy which included a higher level of foreign aid, import policies which supported the domestic agricultural sector, reform the foreign exchange system in order to dismantle the controls progressively and achieve a better allocation of resources, a revision of pricing policies which employed the price incentive and the market mechanism more effectively, better project evaluation and more efficient implementation to improve the quality of government investment. The formal planning activity was continued on a lower key. The Planning organization prepared detailed input output tables for the economy and worked on a macro-economic framework which was to provide the guidelines for a medium term plan. The effect of this work on the formulation of policies and the management tasks undertaken by the planning organization during 1965 - 1970 was an indirect one. The collection and refinement of data and the preparation of macro-economic forecasts helped to identify the inconsistencies, feed back information to policy-makers and give broad guidelines to the sectoral Ministries. It was when the preparation of the Five Year Plan 1972 - 1976 was undertaken that this work became directly useful in constructing the Plan framework. Apart from the macro-economic work, a few sectoral Ministries prepared five year programmes of investment which were used as the basis for allocation of resources during the Five Year period. The period 1965 - 1970 was significant for another interesting departure in planning. It consciously avoided the formal exercise of national comprehensive planning but selected the key areas of policy making and growth sectors with high potential, for a concentrated

Little work has been done to identify the interrelation between social and economic items or derive reliable indicators of social and economic change. Ceylon provides a wealth of material for such study, e.g. the economic effects of social welfare programmes, the unique demographic experience of declining birth rates in rural areas and the differentials in fertility rates, the rural-urban equilibrium which Ceylon has been able to maintain, the income-distribution effects of the food drive, the linkages between education and social mobility. A few research organizations - the Marga Institute, the Agrarian Research and Training Institute - are now directing their attention in a systematic manner to socio-economic research. The data collection system and research have hitherto not supported each other giving direction to meaningful data collection on the one hand and indicating new lines of significant research on the other.

Apart from the quality of data collection the information system and the flow of critical information to decision making centres has been deficient. During the period 1966-1970 the government initiated a system of providing the Cabinet Planning Committee with a set of critical economic indicators on a monthly basis. These included export volumes, export prices, the flow of aid under the different aid programmes and drawings from the counterpart fund. The Central Bank publishes its monthly bulletin containing a brief analysis of economic trends and data on money supply, balance of payments, government budget etc. While there is some time lag in the publication of the report, the report itself does not become a basis for a review of the state of the economy by the political executive or any central guiding authority which can co-ordinate the management of the economy. What was needed however was a synoptic view of the performance of the economy in the critical sectors. The export volumes and prices and flow of aid need to be related more specifically to the shifts in the balance of payments, the investment flows in the public and private sectors need to be known; the management of the government budget in relation to the budgetary objectives need to be analysed; the production data in the key sectors have to be made available. A whole set of well-designed socio-economic indicators should reach the decision making centre, if the management of the economy is to be conducted effectively. Efforts to get such a system in operation have not yet been successful.

(f) A general theory or conceptual system for development policy and planning

The comments that have already been made on the general approaches to development problems that can be identified with the different political parties will to some extent answer the question as to whether there is any "general theory or conceptual system to give order and balance to the elements of development". A conceptual framework on the

effort, e.g. the Food Drive, Tourism, private sector industry, foreign exchange budgeting, project evaluation, plan implementation. This resulted in a concentration of resources at strategic points and avoided a diffusion of effort over the whole economy which would have strained the administrative capability of the entire system and would have proved less effective.

The period 1965 - 1970 saw the creation of the Ministry of Planning and Economic Affairs under the Prime Minister himself. Whereas in the earlier period planning organization whether in the person of a secretariat or Council remained outside the formal structure and the line of command in the government machinery - the Ministerial form brought it at once into the direct line of command and its supervisory and co-ordinating role was clearly established. A Cabinet Planning Committee consisting of the Minister in charge of Finance and Ministers with major development portfolios was set up. It was chaired by the Prime Minister and serviced by the Ministry of Planning. During this period the Planning Ministry acquired specific functions of resource allocation through the control of the foreign exchange budget and the government capital budget. In addition the Ministry of Planning was required to make its observations on all Cabinet Papers which had planning or economic implications. All these measures transformed the planning role from one of plan formulation which was essentially advisory in character to one of economic management with far reaching authority.

The new Government continued the Ministerial structure but entitled it the Ministry of Planning & Employment to highlight the Government's central concern with the employment objective. The Cabinet Planning Committee continued to function. The foreign exchange budget and the government capital budget remained under the control of the Ministry of Planning and through these two main instruments of resource allocation, the Ministry continued to exercise its strategic controls.

The new Government had promised the country a national plan. Therefore one of the first tasks of the Planning Ministry was the preparation of a Five Year Plan. Meanwhile the ILO had organized an international mission to examine Ceylon's employment problem and formulate a long-term development strategy primarily "for achieving a high level of productive employment." The two exercises proceeded concurrently and were able to support each other. The main features of the Five Year Plan have already been outlined in an earlier section in this Study (pp. 24-25). It was seen that within the overall objective of steady economic growth, the Plan attempted to reconcile the conflicting

development strategy for Ceylon to have national significance would have to come from the political leadership of the country. The Marxist parties often employ Marxist terminology in the discussion of development problems, but there has been no convincing application of Marxist concepts to the socio-economic conditions specific to Ceylon. A Marxist theory of development for Ceylon has to include the large mass of small holding peasantry and a pattern of development in domestic agriculture with links with a modern sector where the means of production are in the hands of the urban working class. Marxist concepts of overall development in Ceylon have therefore remained at a relatively abstract and generalized level. The national leadership in the U.N.P. and the S.L.F.P. have also not been able to project a clearly defined image of the future social order which they are seeking to create. There has been little theoretical discussion or conceptualization of problems in these two parties which are the major parties in Ceylon. Both parties have indicated their socio-economic bias in the positions taken on specific issues - whether they be a bias towards private enterprise or state socialism - but these positions have not been formulated into a coherent approach to development problems. The electoral base of the two parties has to some extent contributed to the mix of mutually contradictory policies. The U.N.P. with its base both in the propertied classes and the rural population espoused an uneasy mix of welfare and growth; the full exploitation of the potential of private enterprise had to be restrained to retain its popularity with the rural poor. The bulk of the support for the S.L.F.P. came from the rural electorate and the small holding peasantry. Its support from the classes in the modern sector - the urban working class and the organised business sector - was limited as these working classes were mobilized by the Marxist parties and the business sector was by and large behind the U.N.P. The redistributive approach in the S.L.F.P. therefore tended to be stronger and the concern with economic growth less urgent (until the problem of unemployment assumed critical proportions). Apart from political thinking, efforts at formulating a comprehensive development strategy are found in the Plan documents, particularly the Ten Year Plan which sought to balance the different elements of development. But as was seen earlier these had little effect on decision-making and the actual process of government. In recent times there has been increasing recognition among all parties that on the one hand continuing emphasis on social welfare will retard growth and on the other economic growth pursued as an end in itself will neglect essential social ingredients in development which will eventually cause social disorder and a disruption of the growth process itself. But it is not possible to say there is among any of the parties a conceptualization of the problem and a theoretical approach which reconciles these contradictions. Decision-making at the national level has certainly suffered from the absence of a development ideology

social and economic objectives within a strategy aimed at maximizing employment, creating new capacities for export earnings, raising the level of savings, reducing income inequalities, shifting from subsidies to productivity and income increases in the low income sectors of the economy, and providing a socio economic framework in which a mixed economy could function with a reasonable measure of confidence and efficiency. The Five Year Plan had an advantage over all other previous plans. The proportions of the economic crisis faced by Ceylon compelled policy makers and politicians to give the development issue and planning the highest importance. Commitment to the Plan by Government was therefore more explicit and firm than it had been in the past. The organizational structure of planning as described earlier was also better adapted to imposing the disciplines of a Plan over the entire government machinery. The conditions were therefore propitious for the implementation of the Plan.

In its formal structure the Five Year Plan followed the conventional planning exercise. The national planning exercise took the form of a series of approximations where the work at the macro-economic level was continuously checked with that at the micro-economic level and successive readjustments made to achieve an internally consistent whole. The Five Year Plan contains all the principal elements of a conventional national Plan - the macro-economic framework of income, savings, and investment, the balance of payments forecast, the workforce projections, the forecast of the government budget and the individual sector programme in Agriculture, Industry, Economic overheads and social overheads. A full analysis of the Five Year Plan strategy cannot be undertaken within the scope of this Study but such an analysis may have some relevance for the unified approach to development. The basic strategy in the Plan appears to be derived from the conclusion that the theoretical models of development mostly in vogue today, based as they are on the historical experience of advanced countries where development was accompanied by urbanization and the gradual transfer of the labour force from agriculture to industry have little relevance to the situation of developing countries. The new demographic situation in developing countries holds out little hope for a rapid decline in the agricultural workforce. The expansion of the modern industrial sector in Ceylon is limited by the inescapable constraints of the balance of payments on the one hand and the small internal market on the other. In order to break through these constraints the modern sector has to be export-oriented, and in the short term the employment potential of such a strategy is limited. The main burden of employment will therefore fall on the agricultural sector. The cornerstone

of the Five Year Plan as stated earlier is the modernization of domestic agriculture on a scientific but labour intensive pattern, where a mix of diversified farming, high yielding varieties, improved cultural practices and more efficient management all of which will result in a new, more modern and high-income small holding agriculture. The other facet of the strategy is the development of the small-scale industrial sector with an agro-industrial base. This is expected to contribute to the modernization of the traditional sector by diversifying the rural economy. In the strategy for the modernization of the traditional sector, as pointed out earlier, many of the development objectives - employment creation, income distribution, balance of payments support through import substitution and new export earnings, the shift from social welfare to higher productivity and growth - could be reconciled and their complementarities effectively pursued.

The changes that took place in the planning organization in 1960, 1964 and 1970 indicate the manner in which the personal factor interfered with the continuity of the planning operation at the professional level. Political considerations motivated the transfer of personnel in some instances where a new government was anxious to present a new public image and break with a past which was politically discredited. In other instances changes of Ministers within the same Party or Party grouping brought about changes in the planning organization and its approach. This is seen in the attitude of the S.L.F.P. to the Ten Year Plan and the National Planning Council in 1960. The Ten Year Plan was formulated under the chairmanship of S.W.R.D. Bandaranaike the acknowledged leader who fashioned the ideology of the Party, but for reasons which are difficult to identify the Ten Year Plan was ignored and planning responsibilities removed from its chief architects. Similarly the Short Term Implementation Programme was prepared by the National Planning Department under the S.L.F.P. but with the resignation of the Finance Minister who directed its preparation and espoused the programme, the document was again relegated to 'the archives'. It would appear that the personal identification with plans had something to do with these discontinuities; regardless of the party position, when key individuals left the scene or fell out of favour their products regardless of their intrinsic value were also discredited. This tendency was reinforced by the fact that politicians were reluctant to continue something which was begun by a predecessor. He sought full political acclaim and credit by presenting something new. This would illustrate the extent to which development decision-making can be affected by the foibles and deficiencies of character of those in power.

6. Implementation

The objectives of Government are made explicit in the election manifestos they issue to the electorate at the time they contest the elections, the Throne Speeches which inaugurate each session of Parliament, and the national planning documents that are issued. The declaration of objectives in the election manifestos and Throne Speeches consists largely of a statement of good intentions and an enumeration of development activities in general terms. These would be usually couched in general terms such as a "higher standard of living for the common man" "progress towards a Socialist Society" "reduction of income inequalities" "expansion of the public sector" "solution of the problem of unemployment" "high priority for the paddy programme" "import substitution in industry". They are seldom reducible to specific targets against which performance could be measured. In the past there has been no machinery to monitor progress on the implementation of election pledges or statements of intention in Throne Speeches. Both Election Manifestos and Throne Speeches contained pledges which were regarded both by the electorate and the parties as expressions of the desire of Governments to serve the people and be responsive to their needs. It is only on specific issues and definite pledges on which organized group pressures have converged that fulfilment of pledges has become an issue which has agitated the masses. One such pledge was the declaration of Sinhala as the official language during the period 1956 - 60.

The election manifesto has become a much more important framework of reference after the 1970 elections. This is probably on account of the special character of a Coalition Government where different parties contested the elections jointly on an agreed programme of work. The "Common Programme" as it is termed provided a carefully defined consensus where the diverging political strategies of the three parties forming the coalition were reconciled. Each party therefore is quick to invoke the election manifesto if there is any move on the part of one of its partners to deviate from the agreed programme. This applies to such issues as nationalisation, mixed economy, subsidies, land reform and so on. When the Marxist parties show impatience at "the slow progress towards socialism", the centre consisting of the Sri Lanka Freedom Party (SLFP) holds fast to the acceptance of a mixed economy in the Common Programme. The Manifesto for the first time has also become an operational programme on which each Ministry's progress is examined. The Cabinet calls for a periodical report on the progress made by each Ministry on the implementation of that part of the election manifesto and Throne Speech which was entrusted to it. Many of

are still in short supply within an administration which was largely trained for functions relating to maintenance of government services and administration of law and order. Certain basic changes are needed in the administrative structures themselves in order to bring the management of development activity, the implementation of development programmes and the regular evaluation of performance at all levels of command to the centre of government activity. While corruption is probably widespread in certain departments and has grown with the proliferation of controls, the higher levels of the administration are relatively free from corruption. The government has attempted to combat corruption with a permanent Anti Bribery Department. It cannot be said that the Department has been able to make any significant impact on the incidence of corruption. The spread of corruption and the disrepute which it brings to the administration tend to make the people react with cynicism to government's development programmes. Where development programmes and projects have been able to mobilize the enthusiasm of the workers and the community and have been implemented successfully, the image of a hard-working devoted and honest administration has been a major contributory factor.

(j) External political, technological and cultural dependency

It is presumed that "External political technological and cultural dependency" refer here to special relationships between countries. In Ceylon's case, there are no special relationships which make her specially dependent on any particular country or group of countries. As a developing country she is dependent on advanced countries for the transfer of technology and external assistance in the form of project and commodity aid. But Ceylon has been able to spread her dependence widely on both the Western countries as well as countries of the socialist bloc. Her long-term external debt is still within manageable proportions if her terms of trade do not decline further, and if a reasonable net inflow of aid continues. According to the Five Year Plan there will be a progressive decline in net aid and at the end of the Plan period Ceylon will be correspondingly less dependent on aid.

the pledges made in the election manifesto have therefore been faithfully carried out - the restoration of the per capita rice ration to 4 lbs a week, the establishment of a Republic and promulgation of a new Constitution, the expansion of State trading, the reform of provincial administration, the employment of unemployed graduates, the re-organization of the co-operative system, several foreign policy decisions, and a host of other measures.

The performance on the Plan documents has already been commented upon in the previous sections of this study. All these documents were never taken beyond the stage of formulation to the stage of acceptance as the national basis for Government action, and were therefore never implemented in a co-ordinated manner as plans. Selected programmes in these plans however were included in the Budget, often with modifications and were implemented as part of the Government's capital programme. This would apply to parts of the agricultural programme, industrial programme and fisheries programme in the Ten Year Plan. In the 1965-70 period, the sector programmes in Agriculture and Irrigation were accepted by the Government for implementation and the administrative systems in those two branches of activity were effectively geared for implementation. Annual programmes of implementation were prepared and progress closely monitored during this period.

The implementation of the Sector programmes in Agriculture and Irrigation formed part of a concentrated drive to improve the capacity for implementation in the administrative system as a whole. A special Plan Implementation division was established within the Ministry of Planning & Economic Affairs. The Government Capital Budget and key programmes were broken down to detailed operational programmes with targets of performance for each quarter of the year, and an elaborate progress control system installed. Quarterly progress reports were received for each quarter, performance evaluated and a quarterly review of performance submitted to the Cabinet Planning Committee. An information centre at the national level called the National Operations Room displayed the progress data for all important programmes. As an administrative device this achieved a substantial measure of success in compelling Ministries to instal a system of progress control and review to improve their efficiency in implementation.

In the implementation of Government policies and programmes the political initiative and concern was strongest in those areas which were most sensitive to popular pressures and demands. For example the supply and distribution of scarce commodities came under constant review from the highest political levels. In the period 1965-70 supplies of essential commodities received the attention of a Cabinet

Section 2 - Some Propositions Regarding a Unified Approach to Development Analysis and Planning

The triple crisis of goals, action and methodology in relation to planning referred to in Section 2 of the outline for the study could best be discussed together with the general propositions that have been listed in paragraph 2. Questions relating to the "purpose" or the "final goal of planning" have become increasingly relevant in the crisis that Ceylonese society has faced in recent times. Among both the politicians and the common people the need for planning appears to have gained greater acceptance than in the past. The major social and economic problems confronting the country today are often attributed to the lack of planning in the past and the failure to guide the economy in relation to a clearly defined perspective of development. The Parliamentary debate on the Five Year Plan and the public discussions on it repeatedly gave expression to this theme. Implied in these utterances is the broad assumption that the function of the planning activity is to fix objectives and targets of development over a reasonable time-horizon and organise resources as well as direct society towards achieving them. Planning is seen as an instrument for more effective management of the economy and society. But in the term "the planning for development" the basic question arises as to what constitutes development and what type of development is acceptable and feasible given the present level of aspirations among the people.

Politicians, policy-makers, and the more discerning among the intelligentsia have begun to question the conventional objectives of planning. Two events in the Seventies have underscored the need for such a reappraisal. One was the defeat of the U.N.P. which came after a period in which planning and economic management had for the first time tried to correct the imbalances in past policies, and shift the emphasis from welfare to economic growth. Some of the highest rates of growth were recorded during this period and the "food drive" supported by appropriate import and pricing policies raised the incomes in the peasant sector. The growth impetus and the buoyancy of the economy should have normally increased popular confidence in the ruling party, but the election demonstrated that the five year effort had brought no political dividends. The present Minister of Finance in his address at the I.M.F. conference held in 1970 in Copenhagen attributed the election verdict to the inadequacy of U.N.P. policies. His comments echo the philosophy of the Second Development Decade. He ascribed the failure of the U.N.P. to its pursuit of economic growth at the expense of the social elements in development. The growth which took place in 65-70 according to this analysis paid little attention to income

Committee. After 1970 a Cost of Living Committee of the Cabinet regularly reviewed the prices and supplies of essential commodities. As any deficiencies in these areas had immediate effects on the public image of the government, administrative action on shortcomings was quick and often effective. The response of politicians to problems which caused mass discontent was naturally quick if not instantaneous, and these problems were often the problems relating to services and consumer demand rather than those relating to development.

However one major development programme which received high priority by all Governments was the programme in the domestic agricultural sector. In the fifties and early sixties the emphasis was on the programme of new peasant settlements. This programme had a high political priority as it was directed at pockets of acute landlessness and rural poverty. The programme for the restoration of irrigation schemes in the Dry Zone as pointed out earlier had social welfare elements and an appeal to national sentiment which made it a cornerstone of development policy in the early period. In the late Sixties the Food Drive and the implementation of 'package' programmes to raise the productivity of peasant agriculture became the centre piece of government activity. In the deployment of personnel as well as the re-organization of the administration, this programme received the highest priority. A chain of command from a Cabinet Committee chaired by the Prime Minister through the Ministry of Agriculture, the District administration to the peasant small holders ensured the co-ordination of effort on this programme at all levels. This programme was one of the most effective in terms of implementation in recent years.

One other problem where political imperatives and development needs coincide is the unemployment problem. The growth objectives and the social welfare objectives are again clearly understood as complementary by both politicians and the people where employment creation is concerned. The recent programmes at the local level for creation of employment has illustrated this, although the administrative machinery itself has found it difficult to stretch its capacity to undertake much of the crash employment programme that has been formulated. However a development strategy which has rapid and visible effect on the unemployment problem will without doubt mobilise both political initiative and popular effort. Similarly the export drive which has been given very high priority in the Five Year Plan would have to be expressed concretely in terms of higher import capacity, higher level of employment and improved standards of living to highlight its significance both to the politicians and the people. One of the shortcomings of past plans was perhaps their failure to identify the development areas and programmes which had motivational capacity and could arouse an immediate political and popular response.

The Five Year Plan in its very initial stages of implementation continues to present the politicians with the country's main dilemma of development - the choice between welfare and growth. Already in the first six months after its publication the gap between plan targets and implementation that has emerged threatens the success of the entire strategy. Some of the pre-conditions for the success of the plan, budgetary measures of a fundamental nature to reduce the major financing gap in the 1971/72 Government budget, and some action in regard to the exchange-rate have not been forthcoming. The Plan has assumed a mixed economy and the continuance of a vigorous private sector but policy clarification regarding the role of the private sector issues of nationalisation and incentives has still to be made. Therefore the assumptions regarding the availability of resources and the right policy framework for the fulfilment of Plan objectives may eventually prove invalid. The failure to take the necessary decisions on the budget and the exchange rate can be attributed to the reluctance on the part of the Government to tamper with the welfare package even though the leadership has already made explicit pronouncements regarding the need to divert resources from welfare to growth. In regard to the definition of the private sector role, different approaches to the mixed economy by partners in the coalition, continue to inhibit a pronouncement by government in terms which will dispel the uncertainties in the private sector. The smooth implementation of a development policy has been hampered by the inherent character of a coalition government with its ideological differences as well as the manoeuvring for power that takes place among the partners beneath the surface. On the one hand the coalition by virtue of its representative character and capacity to mediate between different interest groups - peasants, workers, middle classes, and elements in the propertied class - holds out the possibility of evolving a development strategy which will unify these elements and mobilize their effort to achieve development goals on which there is agreement. On the other hand the failure to reconcile the conflicting interests and identify and accept the necessary 'trade-offs' among the different interest groups prevents the emergence of a unified will for development.

7. Critical Factors

(a) Continuity of development planning and policy

The party system as it operates within the parliamentary system of government creates special problems for the continuity of development policy and planning and the political support for it. This study has already described at some length the 'discontinuities' caused by changes of government both in the planning organization and development policy. The main issue on which there has been periodic oscillations and

reversals of decisions has been the food subsidy. These oscillations and reversals have led to a corresponding reversal of development strategy and allocation of resources. In 1956 the pattern of resource allocation and the development strategy was radically changed when the food subsidy was restored. In 1960 with a serious deterioration in the balance of payments and an unprecedented increase in deficit financing, the United National Party (UNP) added further burdens by increasing the subsidy. The attempt to reduce the subsidy burden during 1965-70 was again nullified in 1970. The subsidy being such a crucial element in the whole national economic framework and affecting the Government budget, aggregate demand, the import demand and so on, the sharp swings in government policy militated against any stable development strategy. The public sector - private sector issue is another such problem.

The changes of government also had its effects on particular programmes, policies and plans. There was a strong tendency on the part of a new government to dissociate itself from the programmes and policies of previous governments even though they were sound and did not run counter to the new government's policies. This has already received comment in the previous sections. One isolated instance where a major programme was carried forward without disorganization by a new government was the agricultural programme during 1965 - 70. The signal success of this programme was partly due to the continuity of policy and planning in this sector as from one government to another. In 1970 however the new government soft pedalled the Food Drive as it had figured prominently in the election campaign of the UNP. Nevertheless the strategies and policies in the domestic agricultural sector do not permit of any radical changes and therefore programmes and policies in this sector have preserved their continuity.

Within the present political system, the problem of continuity in development policy and planning is likely to remain a major problem. Governments need to separate the technical, organizational and professional elements in development policy and planning from the essentially political elements. The discarding of a useful system, the discrediting of sound techniques or policies, the reorganization of a department has all too often been motivated by the desire to discredit the past, and put forward something new which would be identified with the new government, Minister, or even professional head. The responsibility of carrying forward the stock of useful experience will fall largely on the professional elite who should be able to mediate with skill and imagination between what was valuable in the outgoing governments and what has to be new and acceptable to the incoming government.

(b) National integration

With a majority community of Sinhalese comprising 70 per cent of the population, and of this Sinhala Buddhist 66 per cent the problems of ethnic and religious minorities in Ceylon is not an intractable one. The largest minority is the Ceylon Tamil minority which inhabits the Northern region and the Eastern Coastal regions of the country and accounts for nearly 11 per cent of the population. The Indian Tamil population mainly confined to the tea plantations amounts to another 10 per cent. These two minorities present different problems of national integration. The majority among the Ceylon Tamils as stated earlier, has continued to agitate for an autonomous region within a federal constitution, and parity of status for the Tamil language as an official language of the country. A major cause of discontent among the minorities stems from the apprehension that the Sinhala majority and of it the Sinhala Buddhists are gaining positions of power and privilege on grounds of community and religion and that the undeclared policy and bias of the government will favour conditions which militate against fair competition and equality of opportunities among all races. This problem is aggravated by the fact that the elite of all communities sought employment in the government administration and professional services. The official language policy will increasingly favour recruitment from the majority community.

The Indian Tamils who are stateless and among whom a considerable number will acquire citizenship present a different problem of integration. At present the community is "locked" within the plantation sector, and although unemployment and underemployment among the Indian Tamils are increasing rapidly, as stateless persons they enjoy no means of entering the workforce outside the Estate sector. A brief reference has already been made to the socio-economic conditions of this segment of the population, which falls into the lowest income groups. The integration of this group with the rest of society without creating new communal conflicts and tensions poses major problems for policy makers in the Seventies and Eighties.

Beneath the problems of ethnic and religious minorities is a more fundamental problem of social integration caused by the conditions created by colonial rule. A small English educated minority which is also the modernizing elite in the country has been separated from the rest of the community by styles of living, attire, language, and values. The militant Sinhala Buddhist movement contained within it a distrust of this "de-nationalized" element. The national costume became a symbol of "belonging" to the national culture and the Sinhala-speaking majority. However the English educated minority was the "modern" element in Ceylonese society, and with its stock of modern knowledge was the principal agent of development. The communication gap between this

minority and the rest of society complicated the development problem. These factors combined with the minority problems contributed to the substantial flow of emigration from the professional elite and the brain drain which has assumed serious proportions.

(c) "Softness" or "hardness" of government

The democratic system, the power balance among parties, and a literate and active electorate have combined to create a style of government which is all too ready to yield to popular pressure. The history of the food subsidy which has been described elsewhere illustrates this. Even where government have acknowledged that hard economic decisions were necessary there has been a reluctance to take measures which impose hardships and are likely to antagonize the electorate. In 1971 budgetary measures to increase the price of flour and introduce a sugar ration were modified on the protests of government back benchers who claimed to speak for their electorates. The sugar ration was re-introduced at a subsequent date. The land reform which government pledged to introduce was similarly subject to modification as a result of agitation from different groups who present different points of view. Another typical example of "softness" has been government's readiness to write off the rural debt on several occasions. This has led to a high percentage of default which has almost always made rural credit schemes unworkable. This open style of government leaves a great deal of room for bargaining and compromise between the time a policy is announced and finally implemented. While it has its advantage in that it avoids an arbitrary authoritarian exercise of power the malleability of the whole decision making process creates an image of weakness in the leadership. To the extent that development will require the mobilization of people under a strong decisive leadership which has clarified its own mind the indecisive character of "soft" government has created conditions which are inimical to a sustained and determined effort at development. The other facet of this process and perhaps an inevitable facet are the long periods of emergency rule in the country. Both the S.L.F.P. the U.N.P., and the Coalition Government during the period 1958-1972 have ruled under a state of emergency for prolonged periods. Communal agitation, large scale trade union action, and attempts at subversion are some of the causes that have led government to declare a state of emergency. This curious combination of "soft" government and emergency rule seem to indicate that the normal system does not easily lend itself to the firm imposition of disciplines and strong-willed decision-making. The politicians need to resort to extraordinary measures to exercise its responsibility to govern, as the normal system provides a latitude for protest, opposition and expression of discontent that easily tend to get out of control.

It was seen in the Ceylon context that the preponderant weight of the peasantry and the low income groups in the electorate has resulted in re-distributive policies which have effected sizeable transfers of income. The tax structure has had to support such measures. The incidence of taxation in Ceylon is relatively high approximately 20 per cent of GDP. Of the total government revenue direct taxation has contributed approximately 15-20 per cent. While the egalitarian pressures have increasingly taxed the higher income groups, government has not yet been able to broaden the tax base to siphon some part of the incremental incomes of the peasantry and other self-employed. Even efforts to recover water rates, and capital expenditure on agricultural settlements from the beneficiaries have been unsuccessful. The targets of savings and investment in the Five Year Plan require a new approach to taxation. The scope for increasing the tax yield from the high income groups is limited. The government policies aimed at reducing income inequalities further reduces the tax potential of these groups. Both indirect and direct taxation will have to be designed to capture some of the income increases that will take place in the peasant sector. It is at this point the 'softness' of government policy will work against the mobilization of resources for development.

(d) Natural resources, economic structure, and internal market

Of Ceylon's total land area of about 16.2 million acres approximately 4.8 million acres are in use for agricultural production. Of the balance about 3.5 to 4.0 million acres is estimated to be arable. The major rivers in the country provide adequate water resources for irrigation and hydro-electric power. The diversion of the largest river, Mahavoli is estimated to irrigate nearly 900,000 acres. The diversion of rivers in the South West could provide irrigation to the dry and arid zones in the South East. The potential for hydro electricity under two projects which are ready for implementation is estimated to be adequate for the next 25 years.

Ceylon is relatively poor in mineral resources. There are appreciable resources of iron ore on which a steel industry of moderate size is being planned. Ceylon has been the world's leading producer of high grade graphite. Unstable markets and costly and wasteful production have reduced the annual output but large reserves are available for future exploitation. Few parts of the world produce a greater variety of gem stones than Ceylon. Other minerals are ilmenite of which Ceylon has an excellent deposit in the East coast; monazite in the South West coast, thorianite, extensive deposits of glass sands, mica; limestone deposits which have supported a thriving cement industry; clays for brick and tiles; raw materials including dolomite, felspar and kaolin for ceramic industries; and salt in which Ceylon is self sufficient. Recent geological surveys

have discovered sizable deposits of phosphate and small deposits of low grade lignite. The geological structure in the North is reported to be promising for petroleum deposits and exploration is in progress.

Ceylon's forest resources in the Dry zone and Wet zone properly exploited are adequate to meet the future demand for timber from house construction, furniture and other wood based industries. With suitable methods of exploitation of forest on steep gradients it can expand its wood based industries for exports, particularly in plywoods and veneers.

At present Ceylon produces over 50 per cent of the fish it consumes. Available coastal and offshore resources of fish are estimated to offer good scope for the expansion of the fishing industry while exploitation of deep sea fisheries such as tuna is also contemplated in the Five Year Plan.

Ceylon has a reasonably good transportation system of road and rail. The road network provides access to all parts of the island. The telecommunication system covers all major towns and provides inter dialling facilities for the most of the thickly populated Central and South West of Ceylon. The power transmission network has been extended to cover all districts with the exception of a part of the North West. The island has four ports with the main port of Colombo in the Western coast, and three other ports in the South, North, and East. The port of Trincomalee with unusually deep drafts has been selected for a free industrial zone.

The structure of economy is shown in Table in the statistical appendix. It will be observed that agriculture has continued to contribute the major share of national income and that the structural changes that have occurred during the last 25 years are marginal. It is in the agricultural sector that the dualism of the economy is most sharply represented. On the one hand, there is the rich plantation economy geared to export markets organized for the most part on a relatively modern, large-scale basis with three perineal crops - tea, rubber and coconut. On the other, there is the domestic agricultural sector consisting of peasant small holdings devoted to annual crops mainly paddy at a comparatively low level of technology and productivity. Industrial output which is almost entirely 'import-substituting' has yet contributed only per cent of the gross domestic product. Most of the large scale industries, for example, the refinery, the steel rolling mill, tyre and tubes plant, flour mill, paper mills, caustic soda plant which all required high capital investment are in the public sector. The spurt of industrial growth in the private sector occurred in the early Sixties when imports of semi-essential and luxury manufactures were banned. The large number of industrial units that were set up during this period depend on a high proportion of imported intermediates.

The limitations of the internal market based as it is on a population of 12.7 million with a per capita income of approximately US \$160, have been of crucial significance in the growth of local industry. The limited internal demand soon exhausts the potential for import substitution, and the economies of scale are not available for expansion of large scale industries such as steel, paper, cement, fertilizer unless part of the output finds markets abroad. The smallness of the internal market has led to underutilization of capacity in a large number of industries, and consequent inefficiencies and high production costs have had their effects on the price structure for manufactured goods.

(e) Statistical data and other information

The lack of adequate statistical and other information for planning and policy making has been the subject of much comment. The National Accounts have recently been analysed for their reliability by an I.B.R.D. mission and major discrepancies and methodological weaknesses have been highlighted. The inter-agency mission sponsored by the ILO and led by Dudley Seers commented that to govern "in Ceylon given the present state of its statistics and the present structural crisis, is like driving a racing car without headlights along a winding road at night". While there may be some exaggeration for effect in this colourful simile, it underscores the paucity of statistical data on the one hand and socio-economic research on the other. The main agency for collection of statistical information is the Department of Census and Statistics. The statistical programmes of the Department of Census and Statistics have been confined to collection of basic data; they have not been designed as an information system for planning and policy making. The quality of the statistical data varies with the different sectors and branches of activity. Vital statistics and demographic data are quite detailed and reliable. Production data in certain areas e.g. paddy, tea, rubber have also been relatively accurate. In other areas (for example coconut, other crops, industry) they have been estimated from sample surveys, derived from estimates of per capita consumption or computed from a co-efficient of a critical input. The estimates of national income therefore include components which are indirectly computed and may contain substantial margins of error. Consumer finance surveys have been conducted in 1953 and 1963, and data on per capita consumption derived from these surveys have been used for some of the national income computations. A comprehensive socio economic survey conducted in 1969/1970 has collected a wide range of data in four representative regions of the country, and now provide a basis for in-depth analysis of social and economic conditions. The need for a properly designed system of regular sample surveys which will help to firm up and refine the statistical data has been recognized and action to install such a system is being taken.

applied concretely to the Ceylon problems, and which takes up well defined positions on all the conflicting elements in the development situation in Ceylon - social welfare vs economic growth, equitable income distribution vs incentives, the cost of living objective vs import substitution and higher farm incomes, higher rate of savings vs higher standards of living, wage increases vs employment creation, public sector expansion vs private enterprise in a mixed economy, the export drive and a realistic rate of exchange vs once again the cost of living objective and so on. The Five Year Plan attempts to reconcile the various elements that are implicit in the "ideology" of the Coalition government within a growth effort but this is not reflected in a conscious attempt on the part of the different political groups within the Coalition to hammer out a convincing "coalition ideology" and a theory of development applicable to the 'transitional' society to which the coalition politicians refer when they claim to be effecting the gradual transition to socialism. The priorities tend to shift with the changing pressures in a changing social and economic situation and certain decisions often tend to run counter to the objectives of other decisions.

(g) Comparing and weighing projects and programmes in different fields and sectors

The methodology of project evaluation has been consistently improving. Criteria of 'commercial profitability' and 'national economic profitability' on the lines of the U.N. guidelines to project evaluation have been applied in the selection of projects. Shadow prices have been used to give due weight to the scarcity of foreign exchange and the surplus of unskilled labour. But while projects have been evaluated in this manner the comparative evaluation of projects and programmes across sectors has not been attempted. The balance of investment between the different sectors such as the productive sectors on the one hand and services such as transportation, power communication on the other is checked for its consistency within the overall plan framework. Within each sector some ranking of projects is attempted in terms of their national economic profitability or their cost effectiveness as in the case of health and education. But no methodology has been developed for comparing benefits and costs of projects as between sectors. For example, there has been no attempt to determine the optimum mix of investment by means of a comparative evaluation of programmes and projects. The allocations to sectors such as health, education, housing have been based on certain feasible standards that are to be achieved, in terms of the demand for these services. The investment in the productive sectors are based on the availability of projects and their national economic profitability. In the Five Year Plan, the relative weight of the different sectors - large-scale industry, small-scale industry, domestic agriculture, plantation agriculture .. have been determined in relation to the main objectives of the

Plan - employment creation and relieving pressure on the balance of payments. The capital-intensive investments with high foreign costs have had relatively lower priority than the employment-intensive projects with low foreign costs. Programmes which raise farm incomes and provide opportunities of employment in the rural sector have ranked high in priority. Apart from the evaluation of projects in terms of the principal objectives of the Plan, no other sophisticated methodology is employed for inter sectoral comparison of investment. The Perspective Planning Division of the Planning Ministry considered the feasibility of feeding projects into a development model for the economy in order to arrive at the optimum mix of investments, but such a model is likely to have little operational value. Apart from intrinsic questions regarding the relevance of model building any econometric model built on the available statistical base can serve little purpose.

(h) Co-ordination of national, regional, and local development

Ceylon's size and the absence of any wide socio-economic disparities as between regions have simplified the problems of co-ordination of national, regional and local development. The prevailing system which has resulted in the dispersal of growth and investment has already received comment. It has to be pointed out however that although there is an attempt to achieve a balance of investments sector-wise in national terms, little attention has been paid to the formulation of well balanced and integrated development programmes for regions and districts. As a result central government departments carry out their separate national programmes whether they be health, education, transport, agriculture or industry. The need to co-ordinate these activities at a level below the national level and formulate district plans has been recognized and administrative machinery for the purpose is being established. Initially a planning unit is being created in every District Secretariat.

(i) Adequacy of Administrative Services

The problem of administrative capability to carry out development programmes has been a persistent one. Foreign missions have commented that the country possesses a reasonably efficient administrative system for a developing country and that its workforce at all levels from skilled labour to the higher administrative and professional grades is again of relatively good quality. But the serious shortfalls in implementation, the management failures in many public sector programmes, and the delays in decision making indicate that the capacity of the system does not match the needs of the development programme. The deficiencies in the system are attributable to a variety of causes. Modern management skills, particularly skills pertaining to development administration

inequalities, growing hardships of the average citizen, rising cost of living and increasing unemployment. While the growth effort sought to overcome the economic crisis it was overtaken by the social crisis engendered by the high level of unemployment among the educated and the pressure of rising costs on the poor. This analysis however leaves the contradictions unresolved for the planner.

In the second half of the Sixties it seemed that in the effort to escape the constraints on growth imposed by the excessive emphasis on welfare, planning had set the right goals. But the political outcome showed that the effort had not succeeded in mobilizing society behind it. Some critical elements in the development process had been missed. The leadership that assumed power appeared to have concluded that growth policies had gone too far in attacking the social welfare base in which a whole generation had grown. What then could be the alternative goals which planning could set for itself? Would it have been feasible to plan for a lower rate of growth within a redistributive framework which preserved the social welfare programme and allocated adequate resources to it, which achieved a fair degree of equity in income distribution and achieved a socio-economic equilibrium at a lower level? The uprising of April 1971 led by elements which in fact supported the Coalition at the elections, cast grave doubts on the feasibility of this alternative and brought a new dimension to the development problem in Ceylon. The discontent which led to the April events had its source more in economic causes, in the failure to sustain a sufficiently high rate of economic growth and in the incapacity of the system to create employment then in any dissatisfaction with the welfare aspects of government policy. What then appeared necessary was a mix of policies which resulted in faster economic growth and speedier development. The critical elements in the situation were the fast growing workforce and the capacity of the economy to absorb it. The choice before planning was therefore not one between a high rate of economic growth which neglected the social elements and a lower rate which incorporated these elements; it was rather a choice between a development strategy which aimed at a high rate of economic growth to deal effectively with the problem of unemployment, and one which aimed at a high rate of growth without specifically dealing with this problem.

In discussing the various elements in the development crisis in Ceylon it would not be correct to ascribe these to the deficiencies of whatever planning there was in the past. As has already been stated the formal plans that were prepared were not implemented. Commenting on the Ten Year Plan, the Seers Mission remarked that "if implemented it would have considerably accelerated the growth of productive employment opportunities". Nevertheless it would be correct to conclude that the intrinsic quality of planning, its

orientation and objectives contributed to the situation in which planning did not link itself with decision-making and had no direct impact on the development process prior to 1965. The planning exercises were primarily an exploration of the technical and economic feasibility of a possible development effort. They generally assumed a context of relatively smooth economic growth and a progressive rise in the national income and standards of living. The professionally impressive projections and forecasts for the economy and the various sectors did not seem to be derived from the real world in which inefficiencies inherent in the situation of underdevelopment beset the implementation of any plan. In the Sixties conditions of normalcy no longer prevailed. Development and growth during this period consisted of a series of crises and problems. Plan objectives and methodology had to concern themselves with the essential elements in the crisis and the basic causes underlying them. As the planning exercises failed to make contact with the urgent short-term problems of economic management and become effective instruments to deal with them, planning remained distant from the decision making process.

These conditions explain to some extent the change in planning strategy in the period 1965 - 1970. As pointed out earlier, during this period the planning organization deliberately refrained from preparing a plan. It went directly to the tasks of economic management, it attempted to identify the main elements in the crisis and to set about solving them. It tried to identify the key factors and operate with them in managing and planning for the economy. The approach of planning thereby became diagnostic and "problem - solving" and this very approach brought the planning organization to the centre of decision making. It might be argued that the planning organization achieved this close link with decision-making precisely because it moved away from formal planning and entered the area of policy making. But the formal planning activity continued in the background and there was a flexible and fluid link between national income forecasts, balance of payments forecasts, sector programmes and economic decision-making. It indicated the possibilities of a new style of planning which would have more immediate and significant impact on the processes of government.

In the preparation of the Five Year Plan too, Government followed a "diagnostic" and "problem solving" approach. It again concerned itself with the identification of the major elements in the economic and social crisis and offered its own strategy of development to overcome them. In this manner planning was brought into the decision making centres, as it was no longer concerned with charting an ideal path of growth but involving itself with the immediate task of steering society out of its crisis.

Both the approach and the content of planning therefore became relevant to the policy makers.

The results of the planning done during the period 1965 - 70 as well as the initial work on the Five Year Plan indicated that the perspectives of planning were constantly impinging on political objectives and encompassing a wide range of non-economic ends. The verdict of the 1970 elections, apart from other things, expressed popular dissatisfaction with the social order that went with U.N.P. policies. The social trends inherent in these policies seemed to favour the existing class structure and reaffirm the existing positions of the propertied classes. Eventually planning had to be done within the ideological and policy constraints of the party in power. Within the U.N.P. framework "socialist" policies such as land reform, incomes policies which were severe on the high income groups, greater state control of trade and production would not have had any significant place in social and economic planning. In contrast, many of these measures became essential elements in the programme of the coalition government that took over in 1970, and had to be incorporated into any national plan that was formulated. Therefore while many of the technical and economic elements in development planning will be politically "neutral" in character and would fit into any political frame, the political constraints will nevertheless play a crucial role in the planning activity. In the circumstances, the planning exercise has to make as objective an analysis as possible of all the socio-economic factors in the development situation and make the best adaptation to the given constraints. For example, during the period 1965 - 70 the planning objectives needed to mediate between the egalitarian aspirations of a large mass of the population and the hard-core private sector bias of the U.N.P. and the strengthening of the property base associated with it; it may have been able to do so with a dynamic programme which dealt with the problems of unemployment and mass poverty within the U.N.P. framework of a mixed economy. On the other hand, socio-economic measures of the coalition have drawn criticism from various quarters; the economic wisdom and the internal consistency of the framework have been questioned. Land reform it is argued will dismember efficiently-run estates and lower productivity; income policies it is feared will destroy the incentives in the private sector; the economic ill effects could more than offset

the social dividends. The evaluation of these measures and their capacity to improve or worsen the development climate does not lend itself easily to the conventional measurements known to planning. But it seems that just as much as the policy framework of the 65 - 70 period had to relate the economic policies to the social aspirations of the people, the social measures of the post 1970 period had to be related to a consistent system of economic incentives for all the agents on whom responsibility for development devolved.

The experience of the past has indicated that no planning exercise can have meaning or relevance unless it recognizes the limits of political feasibility in any development strategy. Theoretically it would have been possible to achieve a higher rate of growth if the present rate of unemployment were allowed to continue for some time. Then progressively with a higher rate of savings and an increasing capital stock, the next phase of development might have been able to absorb the workforce rapidly. But the discontinuities of development would be tolerable only if the future benefits came without too long a time lag and the development strategy was able to demonstrate convincingly that the future would bring the benefits. A development planner in the Ceylon context might well argue that the democratic system would have to give way to a more authoritarian form of government where the necessary capital accumulation will take place with a corresponding growth of social tensions to be followed by the necessary social changes in a subsequent phase of development. But obviously within the present system any development strategy based on such a prognosis would find little acceptance. The particular strategy of development will therefore depend very much on the socio-political framework within which it is formulated. In the Ceylon context if the preservation of the personal freedoms and the way of living that has evolved within a democratic system is a major non-economic objective of any plan then the style of development, the relative roles of the public and private sectors, the constituents of development the appropriate mix of growth, and welfare, the proportions of consumption and savings, will all have to be viewed in relation to this objective. In such a situation, the political feasibility of a development strategy becomes an important consideration, and the interplay of political direction and professional expertise becomes crucial for the formulation of an acceptable plan.

The period after 1965 when the planning activity was linked with decision making, and during the preparation of the Five Year Plan, it became clear that not only had planning to bring a problem-solving approach; it had also to ensure that the professional content of the plan was translated to their social and human elements. The political

leaders who were eventually answerable to the people wanted to visualize clearly the social order implicit in the Plan. This became clear during the discussions between planners and policy makers when the Draft Five Year Plan came to be examined by the Cabinet Planning Committee. The Plan had to show concretely what pattern of distribution of income and wealth will emerge, what institutions will grow to enable the people to take a larger share in Government and in the management of their lives, what changes will be effected on the lives of the lowest income groups, what were the relative roles of the public sector and private sector, how has the education system to be changed to make it more meaningful, what should be the incomes policy to increase savings and generate more employment. Answers were needed to these and a host of other questions related to the specifics of living in the society that would have taken shape at the end of the Plan period. While the approach to planning in the Five Year Plan is directed at translating plan aggregates to their social and human elements, it cannot be said that methodologically the plan has succeeded in performing this task adequately. To some extent the Plan has been able to link the sectoral programme to the main "problems-solving" objectives and made them part of the development strategy, contributing to the balance of payment objective, the employment objective, the income distribution objective and so on. In this way the sector programmes have been focussed on the development goals. For example, the programme in domestic agriculture contains all the main elements of the development strategy; it is aimed at modernizing the traditional sector and dealing with mass poverty in the low-productivity areas; it seeks to diversify peasant farming, make it scientific, capable of yielding higher incomes and at the same time employment intensive; in doing so it seeks to match job opportunities with the expectations of rural educated youth; it pushes on fast with import substitution and creation of new export capacities and thereby strengthens the export structure and increases export income. Similarly in education, the system is being restructured to relate teaching more immediately to the work environment and bring about curricular changes which are in conformity with an employment oriented development. Again on exports, the various sectoral elements were brought together in a sub-plan for exports.

But the methodology of planning had to go further if the Five Year Plan and its objectives were to be made meaningful to the mass of the people and if the policy makers and planners themselves were to direct their action and policy making constantly to the realization of the Plan objectives. For one thing, the formal plan structure of the macro-economic frame and the sectoral programmes had to be supported by a series of "sub-plans" which would give a clearer profile of such aspects as employment, income

distribution, savings, and consumption so as to enable policy makers to watch performance in relation to the main development objectives and constantly modify and refine the policy framework as required. Next, the Five Year Plan had to identify the district development and local development in the programmes so that a reasonably clear picture of the physical distribution of growth would emerge. The Five Year Plan was however conceived within a vertical frame of macro-economic magnitudes and sectoral programmes for the country as a whole. It is only now that the planning activity is being organized at the District level and at a level further below the District. This proposal has been already discussed briefly in an earlier section. The intention is to originate plans at the District level which identify the totality of needs at that level and formulate an interlocked and properly co-ordinated programme of development for the district.

The change in the planning strategy after 1965 had certain inevitable consequences which might be regarded by some planners as having detracted from the technical quality of planning. There was a conscious shift from long term perspectives to a core of short-term strategies. While these strategies concentrated on the immediate economic tasks, these tasks dealt with those strategic elements which could shift the economy to a growth path and stabilize the long-term development prospects. In that sense the planning strategy was very much concerned with the long term objectives in its effort to steer the economy out of its crisis. But the formal planning exercise based on long-term projections serving as a framework to guide and discipline present policies did not assume the central importance it usually received in the past. In the 1965-70 period the perspective planning exercise was carried out separately at a greater level of sophistication than before but remained essentially a backroom activity, used as a frame of reference on particular problems of resource allocation. After 1970 there has been a further "down-grading" of the perspective planning activity. The task of maintaining a right balance between long term perspective planning which relates present policies to future prospects of growth, and at the same time formulating the current short term strategies which provide the critical point of departure on any growth path, presents a problem for planners in Ceylon. This has been compounded to some extent by sharply opposed points of view within the planning organization itself. This situation underscores one of the inadequacies of the Five Year Plan. When the growth potential identified in the Plan is exploited in the Five Year period, the prospects of sustained growth and the necessary structural changes beyond the five year period do not emerge clearly from the Five Year Plan. There is no doubt that in order to evoke an effective response to the Plan it has to be seen by the political leadership and the people as one single phase in

a continuing development effort. Clearly visualized long term prospects within a reasonable time horizon educate the people in regard to the rationale of short term policies. The rising level of expectations in the mass of the people has always become a major constraint in formulating any growth strategy in Ceylon; the clear reconciliation of the long term prospects with the short term needs is an essential condition if these expectations are to be made consistent with a sound development strategy. While this emphasizes the importance of perspective planning it also indicate that the methodology of perspective planning should be such that it is able to provide meaningful "pictures of the future" along the planned path of development.

The "exposed" economy in Ceylon and its vulnerability to unforeseen changes in the world economy has accentuated another problem of planning - the problem of a constantly changing socio-economic context, and the need for a high degree of adaptability in plans and policies. While this is inherent in any situation of development where rapid change might invalidate past assumptions, it is aggravated in Ceylon's context. This is due not only to the imponderables in the economic situation but also to those in the political situation. Past Planning exercises tended to provide too rigid a frame for decision making; when critical assumptions are invalidated the readjustment of policies and plans is difficult and protracted, and the entire strategy tends to lose its coherence. The planning methodology therefore needs to be specially adapted to this situation. What is needed is a range of alternative strategies within a broad framework of possibilities. The critical contingencies in the environment within which planning takes place have to be identified and alternative strategies formulated in relation to these contingencies. This would heighten the adaptability of planning strategy in the context of continuing uncertainty and change.

Planning in developing countries deals essentially with people in poverty who with the best of development efforts must remain for a long time in a condition which can be described as poverty in comparison with what affluent nations had achieved at the end of the nineteenth century. For example, if Ceylon sustains a growth rate of 6 per cent throughout the Seventies it will be able to achieve a level of per capita income close to what is enjoyed by Malaysia today by the end of the decade. The attack on mass poverty needs to recognize these inescapable limitations and planning strategies need to project the "good life" within them. Growth strategies often tend to project vague images of a consumer society which push aspirations beyond the capacity of the economy to fulfil them and cause recurrent frustrations and discontents which are inimical to orderly development. Planning methodology does not yet seek to identify the right balance of

goods and services, the constituents of the good life feasible at each stage of society's progress out of poverty so that at each stage and at time-intervals which are meaningful to the present generation there are definitive and successive images of the improved quality of living, which become the goals of the development effort.

Planning needs to pay more attention to the methods by which it could create a greater popular awareness and understanding of the development constraints faced by society, the rate of development feasible within it and the short-term and long-term benefits that can be reasonably expected. These methods would unquestionably vary with the socio-political system for each country. In Ceylon, the appropriate development consciousness would be created mainly through a planning methodology which takes accounts of the demands of its democratic system. The constituents of such a methodology would include among other things a style of planning that brings wider social layers into the process of planning and decision making at the appropriate levels, and for this purpose significant parts of the plan may have to be built up from below so that there is popular commitment to the development choices from the beginning. One essential aspect of such development planning would be mass "education" in development problems and development needs, and this task becomes more complex in the democratic context where a monolithic ideology is not available to create the necessary national will for development. This implies that there would have to be a greater emphasis than at present on multi-level planning where national growth is seen clearly in their regional and local manifestation, and the development goals involve the households and the life of the individual more intimately. The methodology of planning and the institutional framework that goes with it will then go far beyond the conventional formulation of plans. They will consciously set out to elicit, clarify and direct the social choices and the popular commitments to development in various social groups and at different levels, as these are the elements which at present, in a disorderly and incoherent manner, shape the programmes and goals of the political parties which in turn set the constraints for planning and development. The scope of planning then includes the more basic tasks of "social engineering." The new technique of plan preparation and identification of plan goals that are implied in such an approach are areas in which Ceylon planners need to do much more work.

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APPENDIX A

Statistical Tables

TABLE I

At Current Factor Cost Prices
(Millions)

1954	1955	1956	1957	1958	1971
2406.7	2772.8	2069.0	2300.6	2446.9	3,375.0
962.5	849.0	835.0	735.9	718.9	66.6
227.1	262.2	302.0	245.6	202.6	1,378.9
354.2	332.0	327.1	284.2	301.1	549.5
862.9	1329.6	604.1	1034.0	1224.3	
4.7	7.2	7.4	6.6	3.8	28.6
215.4	311.7	233.5	217.6	243.6	
373.5	465.4	435.0	504.4	537.9	920.3
25.0	28.5	28.7	28.6	39.9	
222.2	250.5	270.9	290.3	300.7	1,315.7
369.1	386.0	413.0	429.4	432.5	128.5
22.7	24.2	30.3	35.6	47.3	307.4
319.0	338.5	359.8	385.7	389.1	488.1
308.0	368.3	426.2	435.3	465.8	1,297.0
483.7	519.3	546.1	575.7	596.2	9,855.6
4750.0	5472.4	4869.9	5209.8	5503.7	
4979.2	5348.1	4904.5	5267.6	5587.9	- 76.4
Breakdown of G.D.P. at Constant					9,779.2

TABLE I

Gross Domestic Product At Current Factor Cost Prices
(Rs. Millions)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
A. Agriculture, Fishing and Forestry	1963.7	2247.0	2034.3	2275.0	2406.7	2772.8	2069.0	2300.6	2446.9	2542.4	2716.7
1. Tea and Minor Estate Crops	660.6	645.9	565.9	666.0	962.5	849.0	835.0	735.9	718.9	765.1	817.3
2. Rubber	387.3	491.3	291.3	291.5	227.1	262.2	302.0	245.6	202.6	248.1	210.2
3. Coconut	398.0	495.4	337.1	395.6	354.2	332.0	327.1	284.2	301.1	402.6	331.1
4. Other	517.8	614.4	840.0	921.9	862.9	1329.6	604.1	1034.0	1224.3	1126.6	1358.1
B. Mining & Quarrying	6.2	8.1	6.2	4.1	4.7	7.2	7.4	6.6	3.8	5.2	5.8
C. Manufacturing	154.6	188.3	196.0	216.1	215.4	311.7	233.5	217.6	243.6	286.7	314.2
D. Construction	278.8	412.5	417.0	392.2	373.5	465.4	435.0	504.4	537.9	583.5	571.7
E. Electricity, Gas and Water	17.6	19.9	22.3	24.0	25.0	28.5	28.7	28.6	39.9	41.6	47.6
F. Transport and Communications	294.1	340.3	191.0	222.6	222.2	250.5	270.9	290.3	300.7	328.3	347.3
G. Wholesale & Retail Trade	325.0	386.0	407.0	403.4	369.1	386.0	413.0	429.4	432.5	454.0	473.0
H. Banking, Insurance, and Real Estate	14.0	19.7	19.8	18.2	22.7	24.2	30.3	35.6	47.3	50.3	52.5
I. Ownership of Dwellings	281.7	295.5	307.2	316.6	319.0	338.5	359.8	363.7	389.1	394.5	406.5
J. Public Administration & Defence	199.6	231.5	259.5	257.8	308.0	368.3	426.2	435.3	465.8	473.0	482.8
K. Services n.e.c.	406.9	463.9	445.4	464.8	483.7	519.3	546.1	575.7	596.2	603.3	654.6
L. Gross Domestic Product at factor cost	3942.2	4612.7	4305.7	4594.8	4750.0	5472.4	4869.9	5209.8	5503.7	5789.8	6072.7
M. (a)	4055.2	4578.2	4705.7	4938.5	4979.2	5348.1	4904.5	5267.6	5587.9	5940.3	6312.2

Source: Snodgrass - "Ceylon: An Export Economy in Transition". Table A.8. Breakdown of G.D.P. at Constant Factor Cost Prices is not available in any published data.

(a) Table A.3 ibid

TABLE 2
Gross National Product at Constant (1

	1959	1962	1963	1964	1965
1. Agriculture, Forestry, Hunting and Fishing	2,302.4	2,694.5	2,846.0	2,945.9	2,772.8
2. Mining and Quarrying	31.3	33.2	29.5	32.1	34.0
3. Manufacturing	682.1	797.6	853.0	901.3	936.9
4. Construction	282.9	281.5	271.8	283.3	266.2
5. Electricity, Gas, Water and Sanitary Services	9.5	11.1	11.4	12.9	13.5
6. Transport, Storage and Communications	540.9	608.1	591.8	640.7	740.3
7. Wholesale and Retail Trade	800.8	891.9	875.1	1,003.1	1,105.2
8. Banking, Insurance and Real Estate	50.9	64.2	67.4	73.6	90.4
9. Ownership of Dwellings	200.6	235.8	227.2	254.8	272.8
10. Public Administration and Defence	301.0	343.7	365.1	363.3	371.9
11. Services	727.6	798.1	812.3	886.0	960.9
12. Gross Domestic Product	5,930.0	6,759.7	6,950.6	7,397.0	7,564.9
13. Net Factor Income from Abroad	- 36.7	- 49.8	- 50.9	- 33.7	- 14.3
14. Gross National Product	5,893.3	6,709.9	6,899.7	7,363.3	7,550.6

Source: Annual Report of Central Bank of Ceylon, 1971.

TABLE 2
Gross National Product at Constant (1959) Factor Cost Prices

	Rupees Million										
	1959	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
1. Agriculture, Forestry, Hunting and Fishing	2,302.4	2,694.5	2,846.0	2,945.9	2,772.8	2,821.2	3,060.6	3,279.7	3,276.4	3,395.2	3,375.0
2. Mining and Quarrying	31.3	33.2	29.5	32.1	34.0	37.1	37.0	37.3	55.0	65.2	66.6
3. Manufacturing	682.1	797.6	853.0	901.3	936.9	1,008.1	1,052.1	1,154.0	1,260.5	1,334.9	1,378.9
4. Construction	282.9	281.5	271.8	283.3	266.2	293.2	350.8	457.8	519.5	598.2	549.5
5. Electricity, Gas, Water and Sanitary Services	9.5	11.1	11.4	12.9	13.5	14.3	14.7	15.0	17.6	21.3	28.6
6. Transport, Storage and Communications	540.9	608.1	591.8	640.7	740.3	791.8	772.9	848.5	899.1	912.5	920.3
7. Wholesale and Retail Trade	800.8	891.9	875.1	1,003.1	1,105.2	1,144.1	1,193.8	1,245.0	1,366.7	1,391.4	1,315.7
8. Banking, Insurance and Real Estate	50.9	64.2	67.4	73.6	90.4	83.0	99.6	110.4	113.7	118.0	128.5
9. Ownership of Dwellings	200.6	235.8	227.2	254.8	272.8	272.8	263.1	291.8	290.9	301.5	307.4
10. Public Administration and Defence	301.0	343.7	365.1	363.3	371.9	396.5	388.9	432.4	445.4	458.8	488.1
11. Services	727.6	798.1	812.3	886.0	960.9	992.3	1,021.4	1,104.8	1,138.9	1,183.7	1,297.0
12. Gross Domestic Product	5,930.0	6,759.7	6,950.6	7,397.0	7,564.9	7,854.4	8,254.9	8,936.7	9,383.7	9,780.7	9,855.6
13. Net Factor Income from Abroad	- 36.7	- 49.8	- 50.9	- 33.7	- 14.3	- 36.1	- 44.5	- 35.7	- 67.5	- 85.4	- 76.4
14. Gross National Product	5,893.3	6,709.9	6,899.7	7,363.3	7,550.6	7,818.3	8,210.4	8,901.0	9,316.2	9,695.3	9,779.2

Source: Annual Report of Central Bank of Ceylon, 1971.

TABLE 3

Sectoral Composition of the Gross National Product
for 1959 and 1970 at Constant 1959 Factor Cost Prices

Sectors	1959		1970	
	Amount (Rs.M.)	%	Amount (Rs.M.)	%
1. Agriculture, Forestry, Hunting and Fishing	2,302	39.1	3,395	35.0
2. Mining and Quarrying	31	0.5	65	0.7
3. Manufacturing	682	11.6	1,335	13.8
4. Construction	283	4.8	589	6.2
5. Electricity, Gas, Water and Sanitary Services	10	0.2	21	0.2
6. Transport, Storage and Communications	541	9.2	913	9.4
7. Wholesale and Retail Trade	801	13.6	1,391	14.3
8. Banking, Insurance and Real Estate	51	0.9	118	1.2
9. Ownership of Dwellings	201	3.4	302	3.1
10. Public Administration and Defence	301	5.1	459	4.7
11. Services	728	12.3	1,184	12.2
12. Gross Domestic Product	5,950	-	9,781	-
13. Net Factor Income from Abroad	- 37	-0.6	- 85	-0.8
14. Gross National Product	5,893	100.0	9,695	100.0

Source: Table I(A)1 - Annual Report 1971, Central Bank of Ceylon p.17

	1958	1959	1960
A. Gross Fixed Capital Formation	683.5	821.0	840.8
1. Govt. Fixed Capital Formation	345.4	355.2	378.7
2. Residential Construction	160.7	164.9	156.4
Of which subsistence	25.9	27.3	26.9
3. Enterprise Fixed Capital Formation	177.4	300.9	305.7
B. Changes in stocks	73.3	- 9.2	-56.1
C. Gross Domestic Capital Formation	756.8	811.8	784.7
	1969	1970	1971
A. Private Sector and Public Corporations	747.9	1,793.9	1,660.8
(i) Gross Domestic Fixed Capital Formation	711.7	1,871.5	1,647.1
Planting, Replanting and Land Development	94.7	113.6	110.9
Building and certain other Construction	313.0	1,055.3	993.4
Plant and Machinery	579.7	322.0	287.1
Transport Equipment	324.2	244.5	170.9
Capital Goods n.i.e.	100.1	136.1	84.8
Private Sector: Total	149.1	1,433.9	1,280.3
Public Corporations Total	562.6	437.6	366.8
(ii) Changes in Stocks	36.2	-77.7	+13.7
B. Govt. and Public Enterprises	305.3	669.4	525.4
(i) Gross Domestic Fixed Capital Formation	564.0	570.2	430.0
(ii) Changes in Stocks	-58.7	+99.2	-95.4
C. All Sectors - Gross Domestic Capital Formation	253.2	2,463.2	2,186.2
(i) Gross Domestic Fixed Capital Formation	275.7	2,441.7	2,077.1
(ii) Changes in Stocks	-22.5	+21.5	+109.1

Source: Snodgrass "Ceylon -

TABLE 4
Gross Domestic Capital Formation at Current Market Prices 1950 - 1971
(Rs. Million)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
A. Gross Fixed Capital Formation	401.1	525.1	616.8	546.9	478.2	588.0	608.0	673.6	683.5	821.0	840.8
1. Govt. Fixed Capital Formation	222.4	241.3	308.3	292.9	264.2	315.3	335.1	328.2	345.4	355.2	378.7
2. Residential Construction	75.4	117.1	131.7	104.6	118.7	156.2	157.7	164.4	160.7	164.9	156.4
Of which subsistence	20.3	22.5	21.0	23.9	22.5	22.4	26.0	25.4	25.9	27.3	26.9
3. Enterprise Fixed Capital Formation	112.3	166.7	176.8	149.4	95.3	116.5	115.2	181.0	177.4	300.9	305.7
B. Changes in stocks	-19.6	9.5	- 4.1	89.7	-32.6	22.2	24.1	36.2	73.3	- 9.2	-56.1
C. Gross Domestic Capital Formation	381.5	534.6	612.7	636.6	445.6	610.2	632.1	709.8	756.8	811.8	784.7
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
A. Private Sector and Public Corporations	706.9	677.0	771.6	777.2	609.7	841.8	931.2	1,168.3	1,747.9	1,793.9	1,660.8
(i) Gross Domestic Fixed Capital Formation	696.3	737.2	711.3	779.0	663.3	798.4	924.3	1,101.3	1,711.7	1,871.5	1,647.1
Planting, Replanting and Land Development	63.2	64.0	69.5	87.2	69.1	73.1	78.5	79.4	94.7	113.6	110.9
Building and certain other Construction	377.8	405.9	362.2	409.1	387.8	428.9	519.6	701.7	813.0	1,055.3	993.4
Plant and Machinery	112.5	114.3	155.7	174.5	112.1	137.4	154.1	165.4	379.7	322.0	287.1
Transport Equipment	84.8	91.9	62.8	50.1	62.7	98.0	79.7	62.9	324.2	244.5	170.9
Capital Goods n.i.e.	58.0	62.0	61.1	58.1	31.6	61.0	92.4	91.9	100.1	136.1	84.8
Private Sector: Total	619.0	648.5	617.3	627.9	513.7	577.9	737.0	823.6	1,149.1	1,433.9	1,280.3
Public Corporations Total	77.3	88.7	94.0	151.1	149.6	220.5	187.3	277.7	562.6	437.6	366.8
(ii) Changes in Stocks	+10.6	-60.2	+60.3	- 1.8	-53.6	+43.4	+ 6.9	+67.0	+36.2	-77.7	+13.7
B. Govt. and Public Enterprises	394.6	403.4	388.7	335.9	403.5	353.3	445.8	530.9	505.3	669.4	525.4
(i) Gross Domestic Fixed Capital Formation	341.1	363.6	384.0	340.6	379.7	388.8	442.0	466.4	564.0	570.2	430.0
(ii) Changes in Stocks	+53.5	+39.8	+ 4.7	- 4.7	+23.8	-35.5	+ 3.8	+64.5	-58.7	+99.2	-95.4
C. All Sectors - Gross Domestic Capital Formation	1,101.5	1,080.4	1,160.3	1,113.1	1,013.2	1,195.1	1,377.0	1,699.2	2,253.2	2,463.2	2,186.2
(i) Gross Domestic Fixed Capital Formation	1,037.4	1,100.8	1,095.3	1,119.6	1,043.0	1,187.2	1,366.3	1,567.7	2,275.7	2,441.7	2,077.1
(ii) Changes in Stocks	+64.1	-20.4	+65.0	- 6.5	-29.8	+ 7.9	+10.7	+131.5	-22.5	+21.5	+109.1

Source: Snodgrass "Ceylon - An Export Economy in Transition" Annual Report of Central Bank of Ceylon, 1971

TABLE 5

Growth of Employment by Sectors 1946 - 1970
(Number in '000)

	1946 (a) Number	%	1953 (a) Number	%	1963 (a) Number	%	1970 (b) Number	%
1. Agriculture, Forestry and Fishing	1381	53.8	1584	53.0	1692	52.9	1853.8	51.6
2. Mining and Quarrying	9	0.3	13	0.4	10	0.3	31.9	0.9
3. Manufacturing*	259	10.1	303	10.1	312	9.8	379.4	10.6
4. Construction	-	-	56	1.9	80	2.5	114.0	3.2
5. Banking, Trade and Commerce	205	8.0	246	8.2	287	9.0	341.9	9.5
6. Transport and Communications	93	3.6	104	3.5	132	4.1	179.2	5.0
7. Services including Utilities	342	13.3	487	16.3	510	16.0	584.8	16.2
8. Not elsewhere classified	279	10.9	197	6.6	174	5.4	110.5	3.0
9. TOTAL - All Sectors	2568	100.0	2990	100.0	3197	100.0	3595.4	100.0

*Consist of factory industries, cottage industries, and the processing of tea, rubber and coconut products.

Sources : (a) Census data 1946, 1953 and 1963

(b) 1970 Socio-Economic Survey 1969/70 Department of Census and Statistics

TABLE 6

Estimate of Total Workforce and Unemployed Workforce

Year	Population 15 years and over	Total Workforce	Rate of ^{3/} Participation	Population employed ^{1/}
1946 Male	2,274	1,933	85%	
Female	1,910	573	30%	
Total		<u>2,506</u>		2,568 ^{2/}
1953 Male	2,634	2,239	85%	
Female	2,248	674	30%	
Total		<u>2,913</u>		2,990 ^{2/}
1963 Male	3,235	2,652	82%	
Female	2,887	793	27.5%	
Total		<u>3,445</u>		3,197 ^{2/}
1970 Male	3,736	3,063	82%	
Female	3,729	1,017	27.5%	
Total		<u>4,080</u>		3,535

^{1/} Source: Census 1946, 1953, 1963 and Socio Economic Survey 1969-70

^{2/} Includes the employed population between 5 and 14 years of age

^{3/} Estimated for 1946, 1953, 1963. Rates derived from the 1953, and 1963 censuses are 84 (males) and 30 (females) for 1953 and 82 (males) and 23.6 (females) for 1963 - P.R. Richards - Vide Employment and Unemployment in Ceylon O.E.C.D. 1971 pp 50, 51. For 1970 rates have been derived from the Socio Economic Survey 69/70.

TABLE 7
POPULATION ESTIMATES

Year	Mid-Year Population
1871	2,400,380
1881	2,759,758
1891	3,007,789
1901	3,565,954
1911	4,106,350
1921	4,498,605
1931	5,306,871
1946	6,657,339
1953	8,097,895
1963	10,590,060
1964	10,965,000
1965	11,228,000
1966	11,439,000
1967	11,701,000
1968	11,976,000
1969	12,270,300
1970	12,571,900
1975	14,174,300
1980	15,917,400

Source: 1871 to 1963, Department of Census and Statistics
Population Census.

1964 to 1980, Ministry of Planning and Employment.

TABLE 8
VITAL STATISTICS

Year	Crude Birth Rate Per 1,000	Crude Death Rate Per 1,000	Natural Increase Per 1,000	Net Migration Per 1,000	Growth of Population %
1946	38.4	20.3	18.1	+8.5	2.7
1947	39.4	14.3	25.1	+3.2	2.8
1948	40.6	13.2	27.4	+2.8	3.0
1949	39.9	12.6	27.3	+4.0	3.1
1950	40.4	12.6	29.8	+2.6	3.2
1951	40.5	12.9	27.6	-1.7	2.6
1952	39.5	12.0	27.5	-1.9	2.6
1953	39.4	10.9	28.5	-1.6	2.7
1954	36.2	10.4	25.8	-0.9	2.5
1955	37.9	11.0	26.9	-1.4	2.6
1956	36.4	9.8	26.6	-2.0	2.5
1957	36.5	10.1	26.4	-1.3	2.5
1958	35.8	9.7	26.1	-1.5	2.5
1959	37.8	9.1	27.9	-0.8	2.7
1960	36.0	8.6	27.4	-0.6	2.7
1961	35.8	8.0	27.8	-0.9	2.7
1962	35.5	8.5	27.0	-0.9	2.6
1963	34.6	8.6	26.0	-0.6	2.5
1964	33.3	8.7	24.6	-0.6	2.4
1965	33.2	8.2	25.0	-0.5	2.5
1966	32.3	8.3	24.0	-0.5	2.4
1967	31.6	7.5	24.1	-0.6	2.4
1968	32.1	8.1	24.6	-0.7	2.3
1969	31.7 ^{1/}	8.1 ^{1/}	23.6	-	-

^{1/} Provisional.

Source: Administration Reports Registrar-General, United Nations Demographic Yearbook, 1966, Department of Census and Statistics and provisional figures by Dr. N.H. Wright.

TABLE 9
EXTERNAL ASSETS OF CEYLON **Rupees Million**

End of Period	Government	Government Agencies and Institutions	Currency Board/ Central Bank	Commercial Banks	Total External Assets	Changes in Total External Assets between periods
1947	178.9	206.9	440.5	121.0	947.3	-263.0
1948	157.4	223.3	459.9	158.3	997.9	+ 50.6
1949	86.8	235.8	514.9	126.2	963.7	- 34.2
1950	76.8	265.7	565.1	225.3	1132.9	+169.2
1951	76.1	291.3	668.4	181.0	1216.8	+ 83.9
1952	65.9	310.6	401.1	96.2	873.8	-343.0
1953	70.2	228.4	245.1	96.7	640.4	-233.4
1954	61.5	225.8	524.5	132.5	944.3	+303.9
1955	111.7	237.2	655.2	224.7	1228.8	+284.5
1956	134.6	243.1	737.0	161.0	1275.7	+ 46.9
1957	112.3	249.4	590.8	109.4	1061.9	-213.8
1958	24.5	255.5	598.7	114.5	933.2	-128.7
1959	16.0	229.7	386.7	101.6	734.0	-199.2
1960	20.0	219.4	190.2	111.7	541.3	-192.7
1961	18.9	223.2	184.7	104.9	531.7	- 9.6
1962	22.7	227.6	152.1	101.5	503.9	- 27.8
1963	15.7	227.1	114.2	105.3	462.3	- 41.6
1964	0.8	107.0	135.9	107.3	351.0	-111.3
1965	11.3	54.6	282.2	91.8	439.9	+ 88.9
1966	4.8	57.3	143.0	112.5	317.6	-122.3
1967*	3.7	64.9	260.4	119.9	448.9	+131.3
1968	1.8	68.4	235.5	157.3	463.0	+ 14.1
1969	1.2	72.3	165.2	138.4	377.1	- 85.9
1970	0.4	57.6	194.0			

*The Ceylon Rupee was devalued by 20 per cent on 22 November 1967. Beginning November 1967 external assets data are calculated at the rate of exchange.

Source: Central Bank of Ceylon Annual Report, 1970.

TABLE 10
External Trade and Trade Indices (1967 = 100)

Year	Value (Rs. Million)		Export Volume										Import Volume					Terms of Trade	
	Exports(f.o.b.)	Imports(c.i.f.)	Balance of Trade	Tes	Rubber including liquid latex	3 Major coconut products	20 Minor products	All Exports	Prices All Exports	Food and Drinks	Textiles	Other Consumer Goods	Combined	Intermediate Goods	Investment Goods	All Imports	Prices All Imports	Terms of Trade	
1959	1,754	2,005	-251	80	71	123	101	82	122	108	228	369	142	95	202	136	83	148	148
1960	1,832	1,960	-128	86	81	105	108	87	122	101	221	423	141	95	180	133	83	148	148
1961	1,733	1,703	+30	90	68	148	105	90	112	93	192	140	105	92	157	107	82	136	136
1962	1,808	1,660	+148	95	77	166	106	97	109	87	190	129	99	102	178	108	77	142	142
1963	1,731	1,490	-241	96	72	131	103	93	109	83	108	71	82	97	143	93	85	129	129
1964	1,876	1,975	-99	95	87	175	97	102	111	114	203	149	126	96	104	114	105	105	105
1965	1,948	1,474	+474	104	92	137	100	105	113	75	125	94	82	92	90	86	100	112	112
1966	1,700	2,028	-328	92	103	108	95	96	107	122	166	129	127	104	113	118	98	109	109
1967	1,690	1,738	-48	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1968	2,035	2,173	-138	96	113	118	116	103	117	98	79	97	96	112	97	101	126	93	93
1969	1,916	2,543	-627	93	108	97	118	98	117	93	76	108	93	104	172	108	134	88	88
1970	2,033	2,313	-280	96	122	94	122	102	118	107	82	120	106	86	116	102	140	84	84
1971	1,947	1,986	-39	96	98	109	125	99	117	83	65	90	82	96	106	90	150	78	78

Source: Annual Report of the Central Bank of Ceylon 1971

TABLE 11
Selected Data for Government Expenditure in Social Services

Year	G.N.P. at current factor cost price 1	Total Government Expenditure 2	Total Expenditure on Education 3	Total Expenditure on Health 4	Total Expenditure on Housing 5	Total Expenditure on food and Subs. and Direct Relief 6	Government expenditure on Social Services 7	7 as % of 1 8	7 as % of 2 9
1954/55	5,050.9	1,068.1	153.7	107.9	39.9	51.3	352.8	7.0	33.0
1959/60	3,093.3	1,821.3	295.4	149.2	25.5	25.5	702.3	11.5	38.6
1964/65	7,290.5	2,246.8	369.9	162.8	41.4	333.0	907.1	12.4	40.4
1968/69	9,353.0	3,229.4	487.7	245.4	63.9	392.0	1,189.0	12.7	36.8

Sources: Government Accounts 1954/55 - 1968/69

PRICES AND WAGES

TABLE 12

Cost of Living Index Numbers - Colombo Town

Period	All Items	Food	Cloth- ing	Fuel and Light	Rent	Miscel- laneous	Domestic Group(a)	Import Group(b)	Export Group(c)
	Nov. 1938- Apr. 1939 = 100			1952 = 100(f)					
1957	288.9	102.8	84.4	97.3	101.5	106.9	104.9	98.1	126.8
1958	295.1	105.0	87.5	101.0	101.5	113.1	109.2	97.0	135.0
1959	295.6	105.2	92.1	102.4	101.5	115.3	108.0	97.1	153.1
1960	290.8	103.5	95.1	102.7	101.5	117.5	108.9	93.7	138.4
1961	294.5	104.8	103.9	104.4	101.5	122.8	112.3	94.6	119.1
1962	298.7	106.3	108.2	105.6	101.5	124.9	113.9	96.7	113.8
1963	305.7	108.8	118.2	103.0	101.5	126.6	113.4	102.5	117.7
1964	315.3	112.2	127.2	103.2	101.5	129.3	116.7	106.6	115.3
1965	316.1	112.5	126.8	100.7	101.5	128.3	116.4	106.6	127.2
1966	315.6	112.3	117.0	95.0	101.5	127.3	116.8	105.4	127.6
1967	322.6	114.8	116.7	96.5	101.5	128.9	117.1	111.2	123.9
1968	341.3	121.5	120.1	103.2	101.5	133.6	123.2	117.3	142.4
1969	366.8	130.5	130.9	124.9	108.4	147.1	134.3	123.5	148.2

Source: Annual Report of the Central Bank of Ceylon 1971

TABLE 13

The Shares of Urban and Rural Population

CEYLON

	1946	%	1953	%	1963	%	1971	%
Total	6,657	100.0	8,097	100.0	10,582	100.0	12,747	100.0
Urban	1,417	21.3	1,751	21.6	2,310	21.8	2,836	22.3
Rural	5,244	78.7	6,345	78.4	8,271	78.2	9,911	77.7

TABLE 13

Percentage Share of the Urban Population
in Total Population

	1946	1953	1963	1971
Percentage share in towns above 20,000	11.4	12.7	14.9	15.9
Percentage share in towns above 10,000	15.4	17.0	18.6	19.7
Percentage share in towns above 5,000	18.7	19.7	20.5	21.3
Percentage share in towns above 2,000	20.5	21.1	21.5	22.1
Percentage share of total population in all towns including towns below 2,000	21.3	21.6	21.8	22.3

Source: Ceylon Censuses 1946, 1953, 1963, 1971

TABLE 14 (a)

Percentage of Income Received by Selected Groups -
Income Receivers & Spending Units or Households

	INCOME RECEIVERS			SPENDING UNITS, HOUSEHOLDS		
	1953	1963	1969/70	1953	1963	1969/70
Highest 10th	42.49	39.24	29.0	40.60	36.77	29.1
Second 10th	14.16	16.01	16.2	13.20	15.54	16.1
Next 20th	18.33	19.44	18.0	18.40	20.22	18.0
Next 20th	12.02	12.37	17.8	13.30	13.81	17.0
Next 20th	7.93	8.07	9.4	9.30	9.21	9.5
Next 10th	3.56	2.70	4.9	3.30	2.95	4.5
Next 10th	1.51	1.17	4.7	1.90	1.50	4.9
Concentration Ratio	0.50	0.49	0.34	0.46	0.45	0.33
S.D. of Logs of Income	0.328	0.307	0.269	0.302	0.287	0.221

S.D. = Standard Deviation

Source: Consumer Finance Survey 1953, 1963
Socio Economic Survey 1969/70

TABLE 34(b)

LORENZ CURVE SHOWING DISTRIBUTION OF INCOME
FOR CEYLON

1953, 1963, & 1969/70

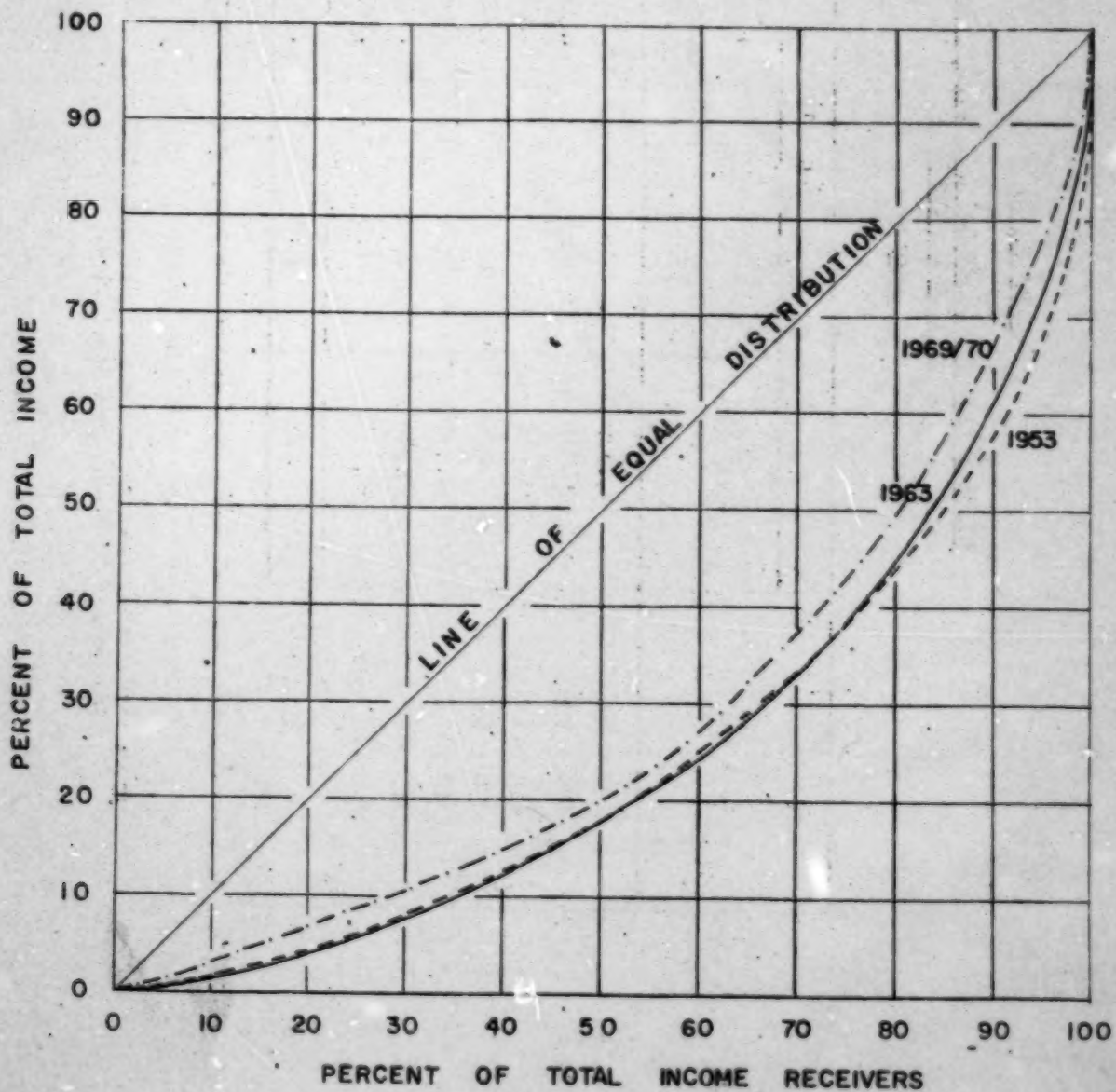


TABLE 14(c)
DISTRIBUTION OF HOUSEHOLDS AND TOTAL INCOME BY
BY INCOME GROUPS
1969/70

Income Groups In Rupees	ALL ISLAND		
	No. of households	%	Total Income in Rs. '000
Below 100	174,325	8.3	13,135.5
100 - 199	745,845	35.3	111,235.2
200 - 399	785,935	37.2	218,124.9
400 - 599	240,255	11.4	114,950.5
600 - 799	91,390	4.3	62,596.3
800 - 999	35,150	1.7	31,540.2
1,000 and over	39,235	1.8	58,988.4
Total:	2,112,135	100.0	610,271.0
			100.0

Source: Preliminary Report on the Socio-Economic Survey of Ceylon, 1969-70,
Department of Census and Statistics.

TABLE 15

Percentage Distribution of Population
by Education 1953, 1963 and 1969/1970

	1953	1963	1969/1970
No. Schooling	41.6	36.6	16
Primary	46.8	39.3	39
Secondary	9.8	19.6	32
Passed GCE/SSC	0.9	3.4	12
Higher and Technical	0.9	1.1	1
	100	100	100

Source: Ceylon Consumer Finance Survey 1953, 1963
Socio Economic Survey 1969/70.

Year	
Element	ERS
	9,082 11% 3
	0,867 13% 3
	6,569 12% 8
	0,161 7.5 M 6
	5,948 1.3% 4
	5,845 2.5% 3
	5,577 5.9 2

X
+
*

So

TABLE 16

Party Positions of Parliamentary Elections held from 1947 to 1970

Year of Election	Total Number of Registered Voters and Number of Parliamentary Seats	Total Number Voted, Rate of Participation and percentage rejected Votes	Number of Votes for each Party, Percentage of Total Voting and Number of Seats Won						
			T.C.	C.P.	F.P.	L.S.S.P.	S.L.F.P.	U.N.P.	OTHERS
1947	3,048,145 95	1,887,364 61.3% 2.1%	82,499 4.3% 7	70,331 3.7% 3	- - -	204,020 11.8% 10	- - -	751,432 39.12% 42	779,082 41% 33
1952	2,990,912 95	2,327,626 74% 1.34%	64,512 2.7% 4	134,528 ^X 6% 4	45,331 2% 2	305,133 ⁺ 14.5% 9	361,250 12% 9	1,026,005 49.5% 54	390,867 13% 13
1956	3,464,159 95	2,391,538 69.0% 0.95%	8,914 0.3% 1	119,715 4.5% 3	142,758 5.4% 10	274,204 10.4% 14	1,046,277* 39.5% 51	738,810 37.9% 8	316,569 12% 8
1960 March	3,724,507 151	2,889,282 77.6% 0.89%	38,275 1.2% 1	147,612 4.8% 3	176,444 5.7% 15	325,286 10.5% 10	647,175 20.9% 46	909,043 29.4% 50	850,161 27.5% 26
1960 July	3,724,507 151	2,827,075 75.9% 0.63	2,300 0.1% 0	90,219 3.0% 4	213,733 7.0% 16	224,995 7.4% 12	1,022,171 39.8% 75	1,144,166 37.6% 30	345,948 11.3% 14
1965	4,710,887 151	3,821,918 82.1% 0.75%	98,746 2.4% 3	109,254 2.7% 4	217,914 5.4% 14	302,095 7.5% 10	1,221,437 30.2% 141	1,590,529 39.5% 66	505,845 12.5% 13
1970	5,505,028 151	4,672,636 85.2% 0.53%	115,567 2.3% 3	169,199 3.4% 6	245,727 4.9% 13	433,234 8.7% 19	1,839,974 36.9% 91	1,892,525 37.9% 17	295,577 5.9% 2

X These figures represent the C.P.-L.S.S.P. (R) allinace at this Election

+ Votes cast for the Nava Lanka Sama Samaja Party

* The votes cast for the M.S.P. in 1952 but the major Party with the most votes was the S.L.F.P.

F.P. = Federal Party

T.C. = Tamil Congress

C.P. = Communist Party

U.N.P. = United National Party

L.S.S.P. = Lanka Sama Samaja Party

S.L.F.P. = Sri Lanka Freedom Party

Source: 1947 and 1952 results from "Seventh Parliament of Ceylon 1970" by H.B.W. Abeynaike and H.P. Amaratunga.
1956 and 1970 results from Commissioner of Elections, Colombo

Appendix B

A NOTE ON DIVISIONAL DEVELOPMENT COUNCILS

I. OBJECTIVE

The Divisional Development Council will be the primary link between the Administration and the people, and will be the main instrument for serving the active participation of the local community in the development programme in that area. It will seek to transform the relationship between Government and the local community from what is at present largely, one of dependence, directed towards subsidies and social welfare, to a more positive self-reliant role directed towards production and development.

II. AREA OF AUTHORITY:

The area of authority for the Divisional Development Councils will be the local authority area. The local authority area will also eventually be the area of authority for the primary unit of Government administration and the DRO division will be reduced in size to correspond to the local authority area. When this is accomplished the interaction between the administrative unit and the council would be a close and continuous one, and the involvement of the local community in Government activity would be given a well defined institutional form.

However, the programme of establishing administrative centres in every local authority area would have to be phased over a period, in relation to the availability of office facilities, personnel, quarters etc. Such a programme phased over a period not exceeding five years would have to be prepared by the Ministry of PA/HA/LG, in accordance with some scheme of priorities related to the administrative needs and the work load of the divisions as presently constituted. Until such time as the administrative divisions have been established, the present DRO division will have to be strengthened with 2-3 Assistants who could operate from the present Divisional offices and service the Divisional Development Councils.

III. THE COMPOSITION OF THE COUNCILS:

The membership of the Council will be a combination of officials and representatives of the elected village institution with defined economic and development functions in the village - Co-operative societies, Cultivation Committees, Village Committees, Rural Development Societies. In the initial phase the Chairman of the Council will be the DRO. The official membership will consist of representatives from the following Ministries:

1. Ministry of Agriculture and Lands - one representative - each from the Department of Agriculture and the Department of Agrarian Services.
2. Ministry of Industries and Scientific Affairs - one representative of the Small Industries Department.
3. Ministry of Irrigation, Power and Highways - one officer representing the Territorial Engineering Service.
4. Ministry of Internal and Foreign Trade - one officer from the Co-operative Department.
5. Ministry of Education - one officer.
6. Ministry of Health - one officer.
7. Ministry of Public Administration, Local Government and Home Affairs - a representative from the Department of Rural Development.

The non-official membership will be the following:-

1. Member of Parliament.
2. Chairman of the Village Committee
3. Chairman of the Co-operative Societies.
4. Chairman of the Cultivation Committees.
5. Presidents of the Rural Development Societies - representation should be limited only to those societies which are active.
6. When People's Committees are established it would be necessary to nominate representatives from the membership of those committees.

In regard to the composition of the Council three problems are likely to arise.

- (a) The boundaries of the electorate, various societies, and the local authority areas may not fall within one territorial unit. An electorate may consist of parts of local authority areas, and the local authority may in turn consist of parts of society areas. In such instances an administrative decision will have to be taken in regard to the inclusion of a society in a Divisional Development Council. Generally, the societies should be represented in the local authority areas which cover the major part of the area in which the society exists. Similarly, in regard to the electorate the MP will be entitled to sit on all Divisional Development Councils which fall within his electorate. Where the local authority area falls into two constituencies both MPs should be entitled to sit on the Councils.

- (b) The average membership of a council is likely to be in the region of 40. This is however the statistical average; as the Cultivation Committees, co-operative societies etc., are not evenly distributed, it is certain that a number of Councils will exceed this average. Even if this average is exceeded, all active institutions in the village as listed above should be represented in the Council. The Council itself would have to constitute a working or executive committee to function more regularly in direct association with the officials in carrying out the functions of the council. This committee would have to be elected from the different categories of institutions on a proportional basis, e.g. every unit of 10 co-operative societies or part of such unit represented in the council will be entitled to have one member in the committee. This would in all probability result in an effective working organization with around 15 members. The Committee could then report to the Plenary Session of the Council which could hold meetings at regular intervals. By this means the Council would be able to retain its representative character and the wide base for popular participation while carrying out its regular functions through delegation.
- (c) Some of the Institutions which are represented in the Council are being re-organized. In regard to the Co-operative Societies, one primary society will cover a local authority area. After the re-organization, if representation is limited to one society, the composition of the council may give undue weight to the Cultivation Committees and the RDSs. It may be desirable in this context to organize a union of Cultivation Committees and RDSs to cover a single local authority area, (which would have a co-ordinating function in regard to the special area of their activity) and to give representation in the Council to the Chairman and Vice-Chairman or Secretary of these Unions. The composition of the elected membership could then consist of two representatives each, from the Village Committee, the Co-operative Society and the 2 Unions. If however such a procedure results in too narrow a base for the representation element in the Council, the branches of the primary co-operative Society may also have to be represented and the procedure outlined at (II) followed. However the structure described in (c) is recommended as the objective which should be achieved at a later stage, as it would provide both an effective working organization and develop rural leadership at the local authority level.

IV. ORGANIZATION AND SUPERVISION OF THE DDCs

The Ministry of Public Administration, Local Government and Home Affairs will be responsible for the establishment and the administrative control of the DDCs. Each Council will be serviced by a Development Officer who will function as the Secretary to the Council. The Development officers will constitute a new cadre in the administrative service. The cadre will be outside the CAS and will carry an initial salary comparable to the salary of graduate teachers. The Ministry of Planning and Employment will be responsible for the initial recruitment of these officers. It is the intention of the Ministry of Planning to recruit these officers from among the graduates who would be recruited to the Graduate Training Scheme. A comprehensive programme of training will be arranged for these officers which will include both on-the-job training which will give them intimate knowledge of the activities of various institutions and a formal course of training arranged by the Academy of Administrative Studies in association with the Ministry of Planning and Employment which will impart to them the basic skills for plan formulation and plan implementation at the village level. For administrative and disciplinary purposes the Divisional Development Officers will come under the Ministry of Public Administration, Local Government and Home Affairs and will be subject to the disciplinary and administrative control of the DRO. As their main function will be to assist in the formulation of Divisional Development programmes in their substantive work, they will come under the direction of the Ministry of Planning and Employment.

V. FUNCTIONS OF THE COUNCILS

(a) General.

The Council will meet regularly preferably once a month, generally in the office of the Village Committee or local school. The DDC will be a consultative body and will not exercise any executive authority. The main functions of the Development Council will be:-

- (a) the preparation of a co-ordinated development programme for the local authority area which it would recommend to the Government.
- (b) The co-ordination of popular effort and the services of Government for the implementation of the programme as approved by Government.
- (c) a regular review of implementation and performance. The annual programme of Government activities within the DDC area will be made available to the DDC.
- (d) recommendations on corrective action to be taken where shortfalls have occurred.

The powers of the Council should be defined in greater detail within this framework to ensure that these bodies are intimately and actively involved in the programme of the area.

(b) Work programme for 1970/71.

For the Financial Year 1970/71, the Divisional Development Councils will assist in the formulation of the divisional development programmes for which financial provision is being made in the budget 1970/71. The total cost of these programmes for the entire country is estimated at Rs 100 million. The average allocation that would be available for each DDC would be in the region of Rs 200,000. The DDC is required to formulate the development programme consisting of (1) small projects in agriculture including a wide range of activities such as subsidiary food crops, horticulture, livestock, fisheries, floriculture etc., (2) projects in small industries, (3) investment in minor irrigation, agricultural roads, (4) rural housing, public buildings, civic amenities etc. The expenditure planned for 1970/71 will be approximately 50 per cent of the total estimated cost, i.e. Rs 100,000. It is essential that the programme should as far as possible be production oriented. The investment mix in the programme should be roughly in the following proportions:

Agriculture	35 per cent
Industry	25 per cent
Roads, minor irrigation, water supply etc.	20 per cent
Housing, public buildings, civic amenities	20 per cent

This is a broad distribution indicative of the development emphasis in the programme and there would be room for adjustment in relation to the needs of each specific programme. Each DDC programme should have as the minimum employment target the creation of 50 units of sustained employment through its programme. Depending on the potential of the area, these targets may need modification and the average allocation upward or downward revision.

The Ministry of Planning and Employment has initiated the selection of five DDCs in representative regions of the country in which a detailed DD programme would be formulated to serve as a model for the programmes of other Councils. These areas have been selected from the Jaffna Peninsula (Mallakam); Dry zone (Wariyapola); Mid country (Kandupalata - Yatinuwara); Wet zone (Urapola); Coastal area (Netolpitiya). It is expected that the work in connection with these 5 Councils would be completed in the course of December. A simple format for the preparation of projects has also been prepared.

On an elementary level the preparation of these Divisional Development Programmes will involve:-

1. A preliminary survey of the economy of the local authority area with data in regard to output, population, unemployment, household incomes etc.
2. A simple inventory of resources, assets and amenities within the area, somewhat on the lines of the Malaysian Red Book for the village economy, with greater emphasis on the productive sectors.
3. An identification of the development potential in agriculture, small industry handicraft, as well as the infrastructure needs such as agricultural roads, marketing facilities etc.
4. Formulation of the small scale projects. With the economic data, relevant to their feasibility, such as an estimate of the capital required to implement the project, the production costs when the project is in operation, the market prospects and the marketing organization required, the net income to the producer etc.

VI. PLANNING, FINANCIAL CONTROL AND IMPLEMENTATION

The DD programmes will be prepared and will be forwarded to the Government Agent of the District. At the district level the programmes will need to be evaluated by a Committee. This committee could be re-constituted from the existing District Co-ordinating Committee. It is recommended that the District Co-ordinating Committee and the District Agricultural Committee be merged into a single District Development Committee which will consist of the district representatives of the Ministries as set out in paragraph 4, the Members of the Parliament of the District and the Chairmen of the DDCs (i.e. D.R.00).

The District Development Committee could establish sectoral working groups which would evaluate the Divisional Development programmes and grant approval. The District Committee however will have to be guided in their final appraisal by the major Development Ministries to ensure proper co-ordination within a sector, or sub-sector, to eliminate the danger of unplanned expansion, leading to over production, breakdown in marketing etc. For this purpose it would be necessary for a major development Ministry to constitute a team of officials which will include a representative from the Ministry of Planning and Employment who will visit the district and participate in the evaluation of the programme and its final appraisal.

It is also recommended that this part of the work be phased over the first quarter of 1971 (January-March 1971). During this period where the full programme itself cannot be approved, the District Committee together with the inter-Ministerial team could approve these parts of the programme which would proceed to work without delay and by the end of March 1971 the Development Programmes of all councils should be finalized. It will be observed that the District Development Committee will be responsible for the co-ordinated planning and implementation in the Division within the District. The District Administration will eventually have to be strengthened by a Planning Unit which will be subject to the overall direction of the Ministry of Planning and Employment. The staff of the Unit will service the District Administration in the collection and analysis of the relevant socio-economic data for planning within the District, it will participate in the formulation of projects within the District, and help in the co-ordination of the various sector programmes in the District into a consistent and integrated development effort for the District as a whole. The staff of this unit will also service the Divisions and assist the staff and the Development Councils at the Divisional level.

The financial allocation for the programme will be given through the Government Agent to the D.R.OO.

Each project or activity in the Divisional Development programme will be the responsibility of the Department and Ministry in charge of the activity, and the officer of the Department or Ministry concerned who is responsible for the DDC area will be project officer for the particular project.